



## **BROMSGROVE DISTRICT COUNCIL**

### **MEETING OF THE AUDIT BOARD**

**THURSDAY 20TH MARCH 2014**  
**AT 6.00 P.M.**

**COMMITTEE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE**

**MEMBERS:** Councillors P. A. Harrison (Chairman), B. T. Cooper (Vice-Chairman), J. R. Boulter, M. T. Buxton, S. J. Dudley, H. J. Jones and P. M. McDonald

### **AGENDA**

1. To receive apologies for absence and notification of substitutes
2. Declarations of Interest  
  
To invite Councillors to declare any Disclosable Pecuniary Interests or Other Disclosable Interests they may have in items on the agenda, and to confirm the nature of those interests.
3. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 12th December 2013 (Pages 1 - 8)
4. Grant Thornton - Certification Work Report 2012/2013 (Pages 9 - 22)
5. Grant Thornton - Review of Financial Resilience (Pages 23 - 56)
6. Benefits Services Fraud Investigation (Pages 57 - 66)
7. Treasury Management Strategy Statement and Investment Strategy 2013-2014 to 2015-2016 (Pages 67 - 86)
8. Corporate Fraud - Audit Review (Pages 87 - 102)
9. Internal Audit Monitoring Report (Pages 103 - 132)

10. Internal Audit Operational Plan 2014/2015 (Pages 133 - 140)
11. ICT Resilience Update
12. Corporate Risk Register (Pages 141 - 148)
13. Quarter 3 - Finance Monitoring Report 2013/2014 (Pages 149 - 156)
14. Audit Board End of Year Report 2013/2014 - for Member discussion
15. Audit Board Work Programme March 2014 (Pages 157 - 158)
16. To consider any other business, details of which have been notified to the Head of Legal, Equalities and Democratic Services prior to the commencement of the meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting

K. DICKS  
Chief Executive

The Council House  
Burcot Lane  
BROMSGROVE  
Worcestershire  
B60 1AA

11th March 2014



## **INFORMATION FOR THE PUBLIC**

### **Access to Information**

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000 has further broadened these rights, and limited exemptions under the 1985 Act.

- You can attend all Council, Cabinet and Committee/Board meetings, except for any part of the meeting when the business would disclose confidential or “exempt” information.
- You can inspect agenda and public reports at least five days before the date of the meeting.
- You can inspect minutes of the Council, Cabinet and its Committees/Boards for up to six years following a meeting.
- You can have access, upon request, to the background papers on which reports are based for a period of up to six years from the date of the meeting. These are listed at the end of each report.
- An electronic register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc. is available on our website.
- A reasonable number of copies of agendas and reports relating to items to be considered in public will be made available to the public attending meetings of the Council, Cabinet and its Committees/Boards.
- You have access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned, as detailed in the Council’s Constitution, Scheme of Delegation.

You can access the following documents:

- Meeting Agendas
- Meeting Minutes
- The Council’s Constitution

at [www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

This page is intentionally left blank

## BROMSGROVE DISTRICT COUNCIL

### MEETING OF THE AUDIT BOARD

THURSDAY, 12TH DECEMBER 2013 AT 6.00 P.M.

PRESENT: Councillors J. R. Boulter, M. T. Buxton, B. T. Cooper, S. J. Dudley (during Minute No's 17/13 to 28/13), P. A. Harrison, H. J. Jones (during Minute No's 23/13 to 33/13) and P. M. McDonald

Invitees: Mr. P. Jones (Engagement Lead) and Ms. Z. Thomas ( Audit Manager), Grant Thornton

Officers: Ms. J. Pickering, Mrs. R. Bamford, Mr. J. Godwin, Mr. A. Bromage and Mrs. P. Ross

#### 17/13 ELECTION OF CHAIRMAN

In response to Councillor P. M. McDonald the Democratic Services Officer confirmed that both the previously elected Chairman and Vice-Chairman of the Audit Board had resigned.

**RESOLVED** that Councillor P. A. Harrison be elected as Chairman of the Board for the ensuing municipal year.

Councillor Harrison expressed her sincere thanks to Councillor L. C. R. Mallett, Chairman of the Audit Board for the municipal year 2012/2013.

#### 18/13 ELECTION OF VICE-CHAIRMAN

**RESOLVED** that Councillor B. T. Cooper be elected as Vice-Chairman of the Board for the ensuing municipal year.

#### 19/13 APOLOGIES

No apologies for absence were received. Councillor B. T. Cooper informed the Chairman that Councillor H. J. Jones would be attending the meeting but had been delayed whilst conducting her civic duties.

#### 20/13 DECLARATIONS OF INTEREST

No declarations of interest were received.

## 21/13 **MINUTES**

The minutes of the Audit Board meetings held on 14th March 2013 and 19th September were submitted.

**RESOLVED** that the minutes be approved as a correct record.

## 22/13 **GRANT THORNTON PROGRESS REPORT**

The Chairman welcomed Mr. P. Jones (Engagement Lead) and Ms. Z. Thomas (Audit Manager) from Grant Thornton to the meeting.

The Board considered the progress report for the financial year 2013/2014 from Grant Thornton.

Mr. P. Jones introduced the report and in doing so informed the Board that Grant Thornton were required to issue a detailed accounts audit plan to the Council setting out their proposed approach in order to provide an opinion on the Council's 2013/2014 financial statements. The report included a summary of emerging national issues and developments that could be relevant as a District Council. The Executive Director, Finance and Corporate Resources had agreed to prepare an action plan that addressed the issues raised in the report. The action plan to be presented to the next meeting of the Audit Board for Members to consider.

Mr. P. Jones drew Members' attention to pages 27 - 29 of the report: Emerging issues and developments, local government guidance and Potential for procurement fraud. Highlighting that the Council needed to be vigilant in their processes against fraud.

In response to Councillor P. M. McDonald, Mr. P. Jones explained that the reduction in fees, compared to the previous years, was a cost reduction due to the restructure and reduction in overheads of the Audit Commission. It was not due to a reduction in audit days. Audit procedures had evolved with audit work being streamlined in order to be more efficient. This would not affect audit standards, audits would be carried out to the same high standards. There were inherent risks in any auditing process or methodology. Working in a more focussed and efficient way would lower risks.

**RESOLVED** that the Audit Board note the progress report for the financial year 2013/2014 and emerging issues as presented by Grant Thornton.

## 23/13 **GRANT THORNTON AUDIT FINDINGS 2013/2013**

The Board was asked to consider the Audit Findings report 2012/2013 from Grant Thornton.

Mr. P. Jones (Engagement Lead) Grant Thornton introduced the report and in doing so informed the Board that the report highlighted the key matters from their audit of Bromsgrove District Council financial statements for the year ended 31st March 2013. The audit findings were reported to management

and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Ms. Z. Thomas (Audit Manager) Grant Thornton drew Members attention to page 41 of the report: Key issues arising from our audit, financial statements opinion – The accounts were well prepared with adequate supporting papers and officers were responsive to any questions raised. In addition to the work on the accounts preparation they assess their opinion on value for money. Their conclusion was that they were satisfied that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness during 2012/2013.

There were two recommendations proposed by Grant Thornton, as detailed on page 36 of the report. The Financial Resilience report, as referred to in the second recommendations, to be presented to the next meeting of the Audit Board.

Further discussion followed on the Value for Money conclusion, more specifically the Medium Term Financial Plan (MTFP). The Executive Director, Finance and Corporate Resources and Mr. P. Jones responded to questions in respect of the MTFP and more detailed reporting of progress against savings plans. Mr. P. Jones highlighted that the Council had made savings, with good plans that looked forward and that the MTFP had that degree of rigour.

**RESOLVED** that the Grant Thornton Audit Findings Report for 2012/2013, as detailed as Appendix 1 to the report, be noted.

24/13 **HEAD OF LEISURE AND CULTURAL SERVICES - VERBAL UPDATE ON ISSUES RAISED WITH REGARD TO THE INTERNAL AUDIT MONITORING REPORT SEPTEMBER 2013**

Following on from the Audit Board meeting held on 19th September 2013, the Head of Leisure and Cultural Services provided Members with a verbal update on from the issues raised with regard to the Internal Audit Monitoring Report.

The Head of Leisure and Cultural Services informed the Board that the changes had been instigated. The banking float value had been increased and staff trained to ensure banking was carried out on a weekly basis. No low value items were purchased through petty cash anymore since the introduction of the Government Procurement Card (GPC).

With regard to the issues raised in respect of Disclosure and Barring Service (DBS), previously Criminal Records Bureau (CRB) checks. Members were informed that the requirement for a DBS check remained with the contractor. An employer must not apply for a DBS check unless the job or role is eligible for one. They must tell the applicant why they are being checked. The contractor and the Council could be challenged if DBS checks were applied for and the job or role was not an eligible one.

The Chairman thanked the Head of Leisure and Cultural Services.

## 25/13 **PRESENTATION FROM THE HEAD OF PLANNING AND REGENERATION**

The Chairman welcomed Mrs. R. Bamford, Head of Planning and Regeneration to the meeting.

Mrs. R. Bamford provided Members with a presentation detailing risk management for her service area. The presentation slides detailed information on the risk management principles and highlighted that good management required understanding of risks - health and safety; operational and exceptional (project related) and an on-going review of known operational risks through the Departmental Management Team. The slides detailed the three main risk areas:

- Fail to adopt a core strategy for planning policy processes at Bromsgrove
- Inability of Building Control to meet costs
  - Monitor staff workloads
  - Monitor economic recovery indicators
  - Increase market activity
- Fail to effectively manage the New Shop Front project/fund and Townscape initiative
  - Quarterly reports on expenditure to Heritage Lottery Fund

In response to Councillor P. M. McDonald, Mrs. R. Bamford agreed to provide Audit Board Members with further detail as to the market share North Worcestershire Building Control currently held. Mrs. R. Bamford further responded to Councillor P. M. McDonald and highlighted that whilst Bromsgrove District Council, Building Control Services offered surveyor, regulatory and structural advice to internal and external customers, there was no requirement for Bromsgrove District Council to regulate surveyor services offered by the private sector as they had their own regulatory body.

Mrs. R. Bamford provided Members with brief details of the specific criteria for the Heritage-led Regeneration Grant. The Bromsgrove Townscape Heritage Initiative scheme aimed to regenerate the town centre by repairing and enhancing historic properties on the High Street and Worcester Road.

The Chairman thanked the Head of Planning and Regeneration for her presentation.

## 26/13 **MARLBROOK TIP**

The Head of Planning and Regeneration provided Members with a verbal update with regard to Marlbrook Tip, as requested by Audit Board Members during the meeting held on 19th September 2013.

Members were informed that over tipping concerns had been raised and this was being monitored via satellite systems in order to understand the actual amount of over tipping. Public meetings had been held and minutes of those meetings were available on Bromsgrove District Council's website. Mrs. R. Bamford had met with residents with regard to the view from their properties.



Members were advised that officers would have to follow legal guidance in respect of any enforcement action and once an enforcement notice was issued the public would be kept informed. In response to Councillor B. T. Cooper, Mrs. R. Bamford explained that any similar future applications received would be determined by Worcestershire County Council using the skills, expertise and legal guidance of officers at Worcestershire County Council.

## 27/13 **FINANCE MONITORING REPORT**

The Board were asked to consider the Finance Monitoring Report for the period April to September 2013.

The Executive Director, Finance and Corporate Resources presented the report and in doing so asked Members if they required any revisions to the format of the report. Members agreed that individual savings should be included in future reports.

The report provided details of the financial information across the Council. The aim was to ensure that savings identified had been delivered as recommended by the Council's External Auditors, Grant Thornton.

The table as detailed on page 74 of the report showed the position for the Council for the period April to September 2013 (Quarter 2, 2013/2014). The majority of services showed slight variances to budget. This demonstrated that identified savings had been delivered across the Council. It was proposed that for future reports the corporate savings would be allocated across the services to enable a clearer position statement. This would be actioned for April – December 2013, Quarter 3 and a report to be presented to the next meeting of the Board.

The Executive Director, Finance and Corporate Resources responded to Councillor P. M. McDonald with regard to the concerns he had highlighted in respect of the level of service and an unawareness of local knowledge or previous history of areas within the district from Worcestershire Regulatory Services (WRS) officers. The Executive Director, Finance and Corporate Resources stated that as a member of the WRS Management Board she would be interested to hear his concerns in more specific detail and would then raise his concerns with WRS Management Board members. Councillor B. T. Cooper informed the Board that the Overview & Scrutiny Board has recently established a WRS Joint Scrutiny Task Group.

### **RESOLVED:**

- (a) that the current financial position on revenue and service underspends be used to offset the savings requirements in Corporate Services, be noted; and
- (b) that as detailed in the preamble above individual savings be incorporated into future Finance Monitoring Reports to the Board.

## 28/13 **INTERNAL AUDIT MONITORING REPORT**

The Board considered a report which detailed the monitoring report on internal audit work and performance as at 31st October 2013.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so drew Members' attention to Appendix 3 of the report - 'High' and 'Medium' Priority Recommendations Summary. The Executive Director, Finance and Corporate Resources informed Members that the error with regard to the audit accounts not being requested, as detailed on page 87 of Appendix 3, had now been highlighted to the Acting Head of Community Services and the audit accounts had now been requested.

The Service Manager informed Members that as detailed at Appendix 1 to the report, a significant amount of days would be allocated to the Core Financial Systems to be audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts. Members were assured that Internal Audit was on target to deliver the Audit Plan by March 2014.

**RESOLVED** that the monitoring report of internal audit work and performance as at 31st October 2013 be noted.

## 29/13 **PROVISIONAL INTERNAL AUDIT PLAN 2014/2015**

The Board considered a report which detailed the Internal Audit Operational Provisional Plan and the key performance indicators for the Worcestershire Internal Audit Shared Service for 2014/2015.

Mr. A. Bromage, Service Manager, Worcestershire Internal Audit Shared Service introduced the report and in doing so informed Members that the Internal Audit Plan for 2014/2015 was a risk based plan which took into account the adequacy of the Council's risk management, performance management and other assurance processes. At the request of the Audit Board a provisional plan of work was therefore provided to Audit Board Members to enable Members to have a positive input into the audit work programme for 2014/2015.

**RESOLVED:**

- (a) that the Internal Audit Operational Provisional Plan for 2014/2015 be noted; and
- (b) that the key performance indicators for the Worcestershire Internal Audit Shared Service for 2014/2015 be noted.

## 30/13 **BENEFITS FRAUD UPDATE - QUARTERS 1 AND 2 2013/2014**

The Board considered a report which detailed the performance of the Benefits Services Fraud Investigation service for the period 1st April to 30th September 2013, quarters 1 and 2, 2013/2014.

The Executive Director, Finance and Corporate Resources informed Members that the Head of Customer Access and Financial Support had been unable to attend the meeting due to illness, so she would present the report in her absence.

The Executive Director, Finance and Corporate Resources highlighted that report provided performance information for the team from 1st April to 30th September 2013. The Fraud Team comprised a manager, two investigation officers and a support officer. All of the team had completed the nationally recognised best practice qualifications in Professionalism in Security (Pins) appropriate to their role.

The report detailed that 77 fraud referrals were received and considered for investigation by the team during quarters 1 and 2. 24 of the referrals had come from data-matching. 44 investigations were closed during the period and fraud or error was established in 31 of these. The Executive Director, Finance and Corporate Resources responded to Members' questions with regard to sanctions and explained that the team would always look at the recovery costs associated with prosecutions and that individual circumstances had to be taken into account prior to a decision being made on the most appropriate sanction.

**RESOLVED** that the Benefits Services Fraud Investigation report for the period 1st April to 30th September 2013 be noted.

31/13 **CORPORATE FRAUD - STAFF SURVEY RESULTS - WHISTLEBLOWING PROCEDURE - VERBAL UPDATE**

Following on from the Audit Board meeting held on 14th March 2013, the Executive Director, Finance and Corporate Resources provided Members with a verbal update on the staff survey and the results of the staff survey, in respect of the specific questions asked on the Council's whistleblowing procedure.

The Executive Director, Finance and Corporate Resources provided Members with a brief update, highlighting that the full results of the staff survey were not yet available.

Over 800 individual comments in addition to the tick box and rating responses had been received.

The staff survey highlighted the following:

- Approximately 40% of staff polled responded to the survey.
- 78% felt that they were able to meet the needs of the customers (both internal and external) on a daily basis.
- 76% of the respondents felt that they had the opportunity to do what they do best on a daily basis.
- 50% said that they did not get regular feedback from their manager about how they were doing.
- 45% of respondents said that they did not have regular team meeting.

Following on from the staff survey a steering group, consisting of staff and union representatives, had been set up to look at the following main themes:

- Communication
- Management
- ICT
- Working Environment

The Executive Director, Finance and Corporate Resources responded to Councillor M. T. Buxton and explained that there was a framework in place with regard to staff supervision, which included regular team meetings and regular one-two-one staff meetings. Managers were aware of this framework.

In response to Members it was

**RESOLVED** that written detailed reports be presented to future meetings of the Board.

## 32/13 **RISK MANAGEMENT MONITORING GROUP - VERBAL UPDATE**

The Executive Director, Finance and Corporate Resources provided Members with a brief verbal update with regard to the recent Risk Management Monitoring Group. The Executive Director, Finance and Corporate Resources informed Members that she was now responsible for developing Risk Management with support from the Financial Services Manager. The Terms of Reference had been agreed and Insurance Claim statistics were looked at during the Risk Management Monitoring Group meeting on 10th October 2013. The Corporate Risk Register was closely monitored by the Corporate Management Team (CMT).

In response to Members it was

**RESOLVED** that written detailed reports be presented to future meetings of the Board.

## 33/13 **AUDIT BOARD WORK PROGRAMME 2013/2014**

The Board considered the Work Programme for 2013/2014.

**RESOLVED** that the Work Programme be updated to include the items discussed and agreed by the Board during the course of the meeting.

The meeting closed at 8.10 p.m.

Chairman

**AUDIT BOARD**20<sup>TH</sup> MARCH 2014**GRANT THORNTON – CERTIFICATION WORK REPORT 2012/13**

Relevant Portfolio Holder	Councillor Mike Webb
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

**1. SUMMARY OF PROPOSALS**

- 1.1 To present Members with the Grant Certification Letter for 2012/13 and Certification Plan 2013/14 from the Councils External Auditors Grant Thornton.

**2. RECOMMENDATIONS**

- 2.1 **The Committee is asked to note the letter and the Plan for 2013/14.**

**3. KEY ISSUES****Financial Implications**

- 3.1 There remains a saving on the fee for grant claim work as levied by the Audit Commission. The budget 2014/15 includes the assumption of this reduced fee being charged.

**Legal Implications**

- 3.2 Grant Thornton have a statutory responsibility to certify the claims submitted by the Council. The Council has a legally binding contract with Grant Thornton to provide the External Audit service for at least the next 5 years.

**Service / Operational Implications**

- 3.3 External Auditors have a duty to carry out all work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. This includes certification of grant claims.
- 3.4 The auditors have certified 2 claims for 2011/12 relating to over £45m of expenditure. These are detailed at Appendix 1 and relate to:

- Housing and Council Tax Benefit Scheme
- National Non Domestic Rates

**AUDIT BOARD**20<sup>TH</sup> MARCH 2014

- 3.5 The key messages from the Audits are;
- Claims were all submitted and certified on time
  - Overall the Council is performing well and there are no significant matters arising
  - Supporting working papers were generally good
  - The use of an agency member of staff results in the analysis work being undertaken on time
  - The value of the number of errors was under £20k which is small in relation to the value of the claim – less than 1%.

- 3.6 The Auditors prepare a plan to enable assessment of the claims for 2013/14. The plan is attached at Appendix 2.

**Customer / Equalities and Diversity Implications**

- 3.7 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

- 4.1 As part of all audit work the auditors undertake a risk assessment to ensure that adequate controls are in place within the Council so reliance can be placed on internal systems.

**5. APPENDICES**

Appendix 1 – Grant Thornton Certification Letter 2012/13  
Appendix 2 – Grant Thornton Certification Plan 2013/14

**6. BACKGROUND PAPERS**

Individual internal audit reports.

**7. KEY**

N/a

**AUTHOR OF REPORT**

Name: Jayne Pickering  
E Mail: [j.pickering@bromsgrove&redditch.gov.uk](mailto:j.pickering@bromsgrove&redditch.gov.uk)  
Tel: 01527-881207



**Grant Thornton**

An instinct for growth™

Jayne Pickering  
Bromsgrove District Council  
Council House  
Burcott lane  
Bromsgrove

22 January 2014

Grant Thornton UK LLP  
The Canterbury Business Centre  
18 Ashchurch Road  
Tewkesbury  
GL20 8BT

Dear Jayne

T +44 (0)121 212 4000

### **Certification work for Bromsgrove District Council for year ended 31 March 2013**

We are required to certify certain of the claims and returns submitted by Bromsgrove District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £45.8 million. Further details of the claims certified are set out in Appendix A.

There are no significant issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification and we are satisfied that any recommendations raised in previous years have been addressed. The continued use of a contractor to undertake the housing benefits testing worked well and this was completed in line with the timetable agreed. There were a number of errors identified in the housing benefits testing that required 40+ testing for several cells. It is important that officers review the errors to determine whether there are lessons to be learned that should be reflected in training and procedures operated in the department.

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £13,300. This is set out in more detail in Appendix B. The indicative fee for 2013/14 will be £4,400- it is assumed that there is no NNDR3 claim next year which is reflected in this stated fee. The fee may need to be reviewed if for instance we are not well supported by the contractor or if the level of fails is as high as was experienced this year on the benefits claim.

The time taken on the NNDR3 claim was less than expected as we were able to rely on the control environment, thus enabling us to reduce the amount of testing. This has been reflected in a downward fee variation, agreed with the Audit Commission.

Yours sincerely

Zoe Thomas  
For Grant Thornton UK LLP

# Agenda Item 4

## Appendix A - Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	20,335,578	Yes	20,336,538	Yes	There were 8 cells for which 40+ testing was required. The value of the errors were extrapolated and reported to the DWP in line with the Audit Commission certification instructions. The total extrapolated value of amendments is less than £20,000 and therefore is small relative to the total value of the claim.
National non-domestic rates return	25,479,365.02	No	N/A	No	This claim is not required for 2013/14



# Agenda Item 4

## Appendix B: Fees for 2012/13 certification work

Claim or return	2010/11	2011/12 fee (£)	2012/13 indicative fee (£)	2012/13 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim	14,650	6,504	11,430	11,430	0	The indicative fee for 2012/13 is based on 2010/11 audit costs. The 2011/12 fee reflects the fact that there were few fails and most of the work was undertaken by a contractor. In 2012/13 some additional work was required relative to 2011/12 – due to the number of fails and thus we have kept the actual fee at the indicative level.
National non-domestic rates return	3,102	1,659	1,870	1306	(564)	We only had to undertake Part A testing this year reducing the time spent on the claim.
reporting	0	685				
Total	18,434	8,163	13,300	12,736	(564)	

This page is intentionally left blank



# Grant certification work plan for Bromsgrove District Council

**Year ended 31 March 2014**

10 March 2014

Page 15

**Phil Jones**  
**Director**  
T 0121 232 5232  
E [phil.w.jones@uk.gt.com](mailto:phil.w.jones@uk.gt.com)

**Zoe Thomas**  
**Audit Manager**  
T 0121 232 5277  
E [zoe.thomas@uk.gt.com](mailto:zoe.thomas@uk.gt.com)

**Kieran Armitage**  
**Audit Executive**  
T 0121 232 5422  
E [kieran.Armitage@uk.gt.com](mailto:kieran.Armitage@uk.gt.com)



---

# Contents

**Section**

- 1. Our approach to grant certification work

Appendix A Summary of expected claims and returns for the year ended 31 March 2014

---

# Our approach to grant certification work

## **Introduction**

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

## Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
Grant paying body	Sets conditions of grant and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instructions for auditor work
Council	Submits claims for certification to the Appointed Auditor within grant paying body submission deadlines
Appointed Auditor	Certifies claims in accordance with Audit Commission certification instructions and within certification deadlines

The Council's role in set out in more detail below:

- the Executive Director of Finance and Corporate Resources is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to claims and returns
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- grant-paying bodies usually require the Council's certificate to be given by an appropriate senior officer. This is typically the Executive Director of Finance and Corporate Resources or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

## Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefit claim
- national non-domestic rates return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that we are expecting that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefit claim)
- national non-domestic rates return

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on 2011/12 actual certification fees for each council. The indicative fee for the Council is £4,400. This fee may be subject to revision by the Audit Commission to reflect the reduction in assumed work around council tax benefit. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year. It is likely that we will need to review this due to the number of cell failures identified in the 2012/13 housing benefit initial testing which resulted in significant 40+ testing
- the Council provides adequate working papers to support each entry in the claim/return
- the Council's staff will undertake the initial and 40+ testing on the housing benefits claim, to the standard they delivered in 2012/13.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

The Council has identified all claims and returns requiring certification and this information is incorporated into Appendix A to this plan.

## Administration

When each expected claim or return is completed, a copy of the signed claim should be sent to Kieran Armitage at the following address:

Grant Thornton UK LLP  
 Colmore Plaza  
 20 Colmore Circus  
 Birmingham  
 West Midlands  
 B4 6AT

or emailed to [kieran.Armitage@uk.gt.com](mailto:kieran.Armitage@uk.gt.com)

- The **original** claims and returns should be retained by the Council.
- If additional claims and returns are identified by either us or the Council they will be incorporated into the appendix in this plan
- All claims and returns listed in appendix A should be sent to us, even if below the de minimis limit so that we can confirm that no certification is required. We are required to report the value of these claims to the Audit Commission in our annual certification report.

## Managing the certification process – our role

- We intend to certify all claims and returns in accordance within the deadlines set by the Audit Commission. If we receive any claims after the Council's submission deadline, we will endeavour to certify them within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of each certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instructions can be provided on request for any new claims or returns
- We expect to complete the certification of all claims by late 2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.



# Appendix A: Summary of expected claims & returns for the year ended 31 March 2014

Claim (CI reference)	Authority deadline **	Certification deadline **	Claim certified in prior year	Prior year outcome
Housing benefits subsidy (BEN01) *	30/04/14	30/11/14	Yes	Claim qualified and amended

\* No certification of council tax benefit is required in 2013/14

\*\* Indicative deadlines only – final deadlines to be confirmed by the Audit Commission



© 2013 Grant Thornton UK LLP. All rights reserved.  
'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

[grant-thornton.co.uk](http://grant-thornton.co.uk)

## AUDIT BOARD

20<sup>TH</sup> MARCH 2014

### GRANT THORNTON – REVIEW OF FINANCIAL RESILIENCE

Relevant Portfolio Holder	Councillor Mike Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Executive Director, Finance and Resources
Wards Affected	All

#### 1. SUMMARY OF PROPOSALS

- 1.1 The attached report is from the Councils External Auditors, Grant Thornton and presents their review of the financial resilience of the Council.

#### 2. RECOMMENDATIONS

**Members are requested to consider the review of Financial Resilience and note the actions to be undertaken by the Council.**

#### 3. KEY ISSUES

- 3.1. The work undertaken by Grant Thornton in their Value for Money (VfM) conclusion includes a review to determine if the Council has proper arrangements in place for securing financial resilience. The review is attached at Appendix 1 and considers the following aspects of financial resilience with a judgement made in relation to each element:

Area	Judgement
Key indicators of financial performance	Arrangements meet or exceed adequate standards
Approach to strategic financial planning	Arrangements meet or exceed adequate standards
Approach to financial governance	Potential risks and/or weaknesses.
Approach to financial control.	Arrangements meet or exceed adequate standards

- 3.2 It is considered that the majority of the financial framework that the Council has in place is robust. The approach to financial governance has been reviewed and there are a number of improvements that have been identified. The report highlights some areas where arrangements can be improved as detailed at 3.4; however the External Auditors overall opinion is that the Council has made considerable changes in recent years, with the aim to focus on delivering Council priorities whilst seeking to minimise underlying costs. In addition it is considered that the Council

## AUDIT BOARD

**20<sup>TH</sup> MARCH 2014**

currently has a relatively good level of general fund balances which have increased year on year, providing a buffer which is important with reducing central government grants.

3.3 There were 2 main concerns from Grant Thornton within the report that relate to the following:

- Significant variation to budget in the last quarter of the year
- Lack of monitoring of savings identified

The finance team is working with officers and budget holders with the aim to improve financial forecasting to ensure that a more accurate financial position is estimated for 2013/14. In addition the financial monitoring reports are more detailed than in previous years.

3.4 The action points are included in the table below and are being addressed by the Management Team;

Area	Action
Key indicators of financial performance	None Specified
Approach to strategic financial planning	<p>Ensure that the plans for the 14/15 budget make explicit links between the new strategic purposes and decisions over budget allocation and savings. This has been undertaken in 2014/15.</p> <p>Clearer forward plans should be in place around assets and workforce to underpin the MTFP – review as to the best way of providing this during 2014/15.</p>
Approach to financial governance	Improve managers' budget management skills to enable more effective forecasting of the projected financial position – training plans currently being developed.
Approach to financial control.	<p>Ensure that in year reporting includes review of savings plans – to be in place for 2014/15 budget monitoring.</p> <p>Risk management to be embedded in day to day procedures and corporate risks should be routinely reported.</p>

### **Financial Implications**

3.5 The Council has significant financial pressures to face in the future. By ensuring a sound and robust financial framework is in place these

**AUDIT BOARD**20<sup>TH</sup> MARCH 2014

pressures can be managed and addressed in a considered and planned manner.

**Legal Implications**

- 3.6 The robust financial management of the organisation enables the Council to meet its legal responsibilities in relation to statutory compliance with accounting policies and procedures.

**Service / Operational Implications**

- 3.7 The financial framework ensures that managers can deliver services with appropriate financial budgets and regular and accurate financial monitoring prevents any unknown variances to budget.

**Customer / Equalities and Diversity Implications**

- 3.8. No direct implications.

**4. RISK MANAGEMENT**

The financial framework and associated risks are included in the corporate risk register and are managed by the Executive Director of Finance and Resources on a regular basis.

**5. APPENDICES**

Appendix 1 – Grant Thornton Review of Financial Resilience

**AUTHORS OF REPORT**

Name: Jayne Pickering Executive Director Finance & Resources  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: (01527) 881400

This page is intentionally left blank



# Review of the Council's Arrangements for Securing Financial Resilience for Bromsgrove District Council

Year ended 31 March 2013

October 2013

Page 27

**Phil Jones**  
Engagement Lead  
T 0121 232 5232  
E [phil.w.jones@uk.gt.com](mailto:phil.w.jones@uk.gt.com)

**Zoe Thomas**  
Manager  
T 0121 232 5277  
E [zoe.thomas@uk.gt.com](mailto:zoe.thomas@uk.gt.com)



# Agenda Item 5

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



---

# Contents

<b>1 Executive Summary</b>	<b>Page 4</b>
<b>2 Key Indicators</b>	<b>Page 9</b>
<b>3 Strategic Financial Planning</b>	<b>Page 12</b>
<b>4 Financial Governance</b>	<b>Page 16</b>
<b>5 Financial Control</b>	<b>Page 20</b>
<b>Appendix - Key indicators of financial performance</b>	
	<b>Page 24</b>

- 1 Executive Summary
- 2 Key Indicators
- 3 Strategic Financial Planning
- 4 Financial Governance
- 5 Financial Control
- Appendix - Key indicators of financial performance

# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them. The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow.

Our overall conclusion is that the Council is financially resilient for the foreseeable future.

This report highlights some areas where arrangements can be improved. However the overall picture is that Bromsgrove Council has made considerable changes in recent years, with the aim to focus on delivering Council priorities whilst seeking to minimise underlying costs.

The Council currently has a relatively good level of general fund balances. These have increased year on year, providing a buffer which is important with reducing central government grants. The Council has identified a need to make considerable savings over the medium term in order to achieve balanced budgets.

We have used a red/amber/green (RAG) rating with the following definitions.



# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920s. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% savings during each of 2013-14 and 2014-15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending round period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

### Local Context





In Bromsgrove between 2009 and 2015 the impact of the reduction in government grant reflects a 46% cut in funding cumulatively. Localising of business rates also transfers risk from central to local government. The Council has opted to work with the Greater Birmingham and Solihull cluster for pooling of business rates.

In common with other councils, there has been a fall in income from fees and charges and this income is likely to remain depressed until the economy improves. The Council has also had a freeze in council tax over the last 2 years.

The Council has needed to make some changes to the way that it operates to reduce costs. The focus of this has been to reduce management and back office costs through sharing services. It is likely that the Council may have to make some difficult decisions if underlying costs are to be reduced further.

# Executive Summary

## Overview of Arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Performance</b>	Council performance is not significantly out of line with its nearest neighbours group	 <b>Green</b>
<b>Strategic Financial Planning</b>	In common with other councils, there are gaps in the medium term financial plan from 2014/15 that have yet to be addressed. The level of usable balances and the council track record in achieving budget surplus provides us with some confidence of financial resilience.	 <b>Green</b>
<b>Financial Governance</b>	Members and officers are clear about the financial environment in which they operate. Budgets are appropriately delegated and budget holders are supported by accountants. For the last 2 years the council has had significant unplanned underspends in its revenue and capital budgets.	 <b>Amber</b>
<b>Financial Control</b>	The council has appropriate staffing and procedures to ensure there is appropriate financial control. There are plans to more effectively report performance against savings plans and to improve risk management.	 <b>Green</b>

# Executive Summary

## Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
<b>Key Indicators of Performance</b>	No specific matters arising	n/a	n/a	n/a
<b>Strategic Financial Planning</b>	Ensure that the plans for the 14/15 budget make explicit links between the new strategic purposes and decisions over budget allocation and savings. Clearer forward plans should be in place around assets and workforce to underpin the MTFP	Cabinet and Executive team	By Feb 2014	
<b>Financial Governance</b>	Improve managers' budget management skills to enable more effective forecasting of the projected financial position	Director of finance Cabinet	By Dec 13	
<b>Financial Control</b>	Ensure that in year reporting includes review of savings plans Risk management to be embedded in day to day procedures and corporate risks should be routinely reported.	Q1 reports Executive	on-going	

- 1 Executive Summary
- 2 Key Indicators**
- 3 Strategic Financial Planning
- 4 Financial Governance
- 5 Financial Control
  
- Appendix - Key indicators of financial performance

# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Wychavon District Council  
Tewkesbury Borough Council  
Stroud District Council  
Stafford Borough Council  
South Staffordshire Council  
Selby District Council  
Rushcliffe Borough Council  
Rugby Borough Council  
Malden District Council  
Litchfield District Council  
Hinckley and Bosworth Borough Council  
High Peak Borough Council  
Harborough District Council  
Babergh District Council  
Ashford Borough Council



# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
---------------	----------------------	------------

### Liquidity

The working capital ratio provides an indication of whether the Council has enough current assets to cover its immediate liabilities. For the nearest neighbours group this ranged from 0.75 to 9. Bromsgrove at 2.4 is to the lower end of the range, although the position has improved slightly in 2012/13. Over 55% of the council's debt relate to other local authorities and central government and therefore are relatively low risk. The Ratio for Bromsgrove is reasonable and does not put the Council at significant risk.

Around 60% of the council's income comes from central government grants, of which over 80% is in relation to housing benefits. The proportion of income raised from council tax and local fees and charges has risen slightly year on year.



### Workforce

Bromsgrove's sickness days are monitored routinely. Whilst there are some discrepancies between departments, Bromsgrove compares well to the local authority and public sector average of days lost through sickness



### Performance

#### Against Budgets: revenue & capital

In 2012/13 the council had a reasonably large underspend against both its revenue and capital budgets. The 2012/13 capital programme was £3.6m but the out-turn was £1.3m, due to some planned and some unplanned slippage in the programme. The revenue budget underspent by £0.6m this year, and £1.045m the previous year. This has meant that general fund balances have increased by over £1m since 31/3/11 which increases financial resilience in a period of uncertain funding. However, it does highlight some concerns over the Council's budgeting and financial monitoring procedures – particularly when at quarter 3 the council was still predicting to meet its target.



### Reserve Balances

The Council has set a minimum level of GF balances at £1m and as indicated above, the Council is some way from that balance. Over the next two years, the council is planning to make significant recurring savings and has no immediate plans to use general fund balances to support expenditure. The Council has insufficient capital balances to meet its capital programme and thus it is planned that the Council will borrow should the large capital schemes proceed. The costs of borrowing are estimated within the programme. The graph showing usable balances relative to GF expenditure shows that the council is broadly the median of its nearest neighbours.



- 1 Executive Summary
- 2 Key Indicators
- 3 Strategic Financial Planning**
- 4 Financial Governance
- 5 Financial Control
  
- Appendix - Key indicators of financial performance

# Strategic Financial Planning

## Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

# Strategic Financial Planning

## Medium Term Financial Strategy

### Area of focus

### Summary observations

### Assessment

#### Focus of the MTFP

Within the MTFP, the Council has made assumptions about funding levels, both in relation to the main central government grants but also other grants e.g. council tax freeze grant. Assumptions are made as expected around inflation costs, utility bills and staff pay. Detail behind the budget includes assessment of unavoidable costs (including estimates for reduction in income) and areas where there are planned reductions in costs. The revenue budget and MTFP includes assumptions around the impact of capital projects and investments, for example the additional borrowing costs should the capital programme proceed as planned. The high level assumptions are outlined in the budget setting report and the detailed assumptions are contained in the supporting MTFP spread sheet. The assumptions made in the 2013/14 plan, that impact on the 2014/15 and beyond are rolled forward to identify the funding gaps. The MTFP is reviewed and updated annually as part of the budget setting process



Green

#### Adequacy of planning assumptions

The planning assumptions are reasonable overall. National indicators supplemented by local knowledge and history inform the major forecasting assumptions. benchmarking is not widely used as this has not been found to be helpful in the past. The Council has not routinely produced corporate strategic documents such as asset management, or workforce plans. The Council has reviewed its strategic purposes and has published a new council plan in July 2013 and this is clearly not yet keyed into the budget setting process and so there is a disconnection between the budget and published council plan.



Amber

The Council has recently restated its intention to sell the Bromsgrove council offices and many staff will relocate to Redditch and a new smaller office built in Bromsgrove. This will have significant revenue and capital implications and there has been no scenario planning for this yet, although some financial reports do make some estimates of receipts and costs.

The Council has yet to fully identify all the savings required in the MTFP. This position is relatively common for local authorities and the Council has large levels of balances, however this does provide the Council with risk and is therefore reflected as an amber assessment



#### Scope of the MTFP and links to annual planning

As outlined above, the council does not produce a formal workforce or estates plan. Clearly there is on-going planning work and development in both these areas which are routinely reflected in reports to management and reflected as far as possible in budgets. The Council reviews its staffing fairly regularly as there are changes arising from service reviews - for example the shared services reviews all start with a business case that outlines the planned staffing structure in the shared service. We would expect that for the 2014/15 planning cycle there would be a clearer link between strategic purposes and the council plan and the budget setting decisions.



Green

# Strategic Financial Planning

Area of focus	Summary observations	Assessment
<b>Review processes</b>	The medium term financial plan is reviewed annually as part of the budget setting process. It is reported to members routinely throughout the year highlighting changes in budget assumptions and the forward impact of these.	 <b>Green</b>
<b>Responsiveness of the Plan</b>	As outlined in the following sections of this review - whilst the budget assumptions and forecast outturn are updated quarterly, the Council did not accurately forecast the expected outturn for the few years. This suggests that the responsiveness of the plan to both outturn of the previous year and changes in information and assumptions during the year could be improved. The Council is going through transformation reviews and extending shared service arrangements, the financial consequences of which may be difficult to predict or measure and may not be accurately reflected in forward plans. There is little year end evaluation of what has been saved through planned service changes and what has been saved through general efficiency savings or one off savings or receipts.	 <b>Amber</b>

- 1 Executive Summary
- 2 Key Indicators
- 3 Strategic Financial Planning
- 4 Financial Governance**
- 5 Financial Control
  
- Appendix - Key indicators of financial performance

# Financial Governance

## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement

- There is engagement with stakeholders including budget consultations.

### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

# Financial Governance

## Understanding and engagement

Area of focus	Summary observations	Assessment
---------------	----------------------	------------

### Understanding the Financial Environment

Cabinet members are likely to be aware of the relevant financial matters both through budget reporting but also taking into account their portfolio responsibilities. There is clarity around budget and other responsibilities for members and officers. The Council is relatively small and key members are fully engaged, thus Cabinet members are likely to be aware of the key matters in the current and future years that will impact on council finances.

Some reporting is through the shared services board (joint with Redditch) but the matters from these meetings are reported back and the papers are available.

The Council does not have any on-going legal challenges that provide uncertainty around future liabilities.



Green

### Executive and Member Engagement

Directors, including the S151, along with members of the Cabinet appear to all be important players in the Council's decision making arrangements. Officers appear to be relatively well informed both through non financial reporting and through up to date on-line financial information. Key members are appropriately supported by officers.

Key members and the Chief Executive appear to have appropriate status to provide effective challenge and to provide leadership.

All are involved in discussions around the budget setting and around corporate priorities – and the wider membership clearly has a role in approving the overall budget. Minutes demonstrate that there is challenge by members in the budget setting process

The Board receives all internal and external reports and has a role around risk management but does not approve the accounts, unlike the majority of other Councils.



Green



# Financial Governance

Area of focus	Summary observations	Assessment
---------------	----------------------	------------

## Overview for controls over key cost categories

The Council reports progress against budget quarterly. This is currently reported in service area and the costs of support services are omitted in order to assist interpretation. An overview is provided and then individual service areas are reported. Narrative is included highlighting where there are variances.

As much of the budget is delegated, accountants who prepare these reports provide forecast outturn estimates based on discussions with budget holders. The significant variance in outturn from that estimated at quarter 3 indicates some weakness in arrangements. This has not been fully explained to us but could be due to:

- Budget setting – lack of review of base budgets or inadequate reflection of prior year underspends
- Savings monitoring and review ineffective – some savings are built into base budgets, some are incorporated as the year progresses (as they are identified) some are managed corporately and some arise by the expectation that budget holders will produce outturn savings. A lack of formal review of what savings were achieved against those planned add to further difficulties as to which are recurring savings (assumptions have been built into the next year budget around these) and one offs
- Lack of adequate communication and challenge between budget holders and accountants
- Lack of reliable reported information or assessment of risks to enable effective challenge by members

Page 45



Amber

## Budget reporting: revenue and capital

The actual reports process is described above and is an adequate process - although with weakness around forecasting as reflected above.

With the change in corporate priorities in 2013/14, it is likely that the Council will want to review how it manages its finances, both in terms of allocating resources in priority areas but also monitoring and managing its spending. Changes arising from transformation mean that services are increasingly operating and being managed horizontally rather than in the traditional manner. This too further complicates budgeting and monitoring and financial responsibility.

The Council clearly needs to focus on improving the accuracy of its financial forecasting and provide more complete information to those charged with governance to enable effective decision making.



Amber

## Adequacy of other Committee/Cabinet Reporting

See Comments above – there is scope to improve the adequacy of reporting – both in terms of the accuracy but also the timeliness, detail and sophistication around forecasting and analysis of risks. Action plans do not routinely accompany budget reports



Amber

- 1 Executive Summary
- 2 Key Indicators
- 3 Strategic Financial Planning
- 4 Financial Governance
- 5 Financial Control**
- Appendix - Key indicators of financial performance

# Financial Control

## Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

### Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

## Internal arrangements

Area of focus	Summary observations	Assessment
---------------	----------------------	------------

### Budget setting and monitoring - revenue and capital

In the annual budget setting round, the Council makes assumptions about inflation, rates of pay, and income from fees and charges taking into account judgements around expected levels of grant funding and local indicators. This part of the process appears reasonable and consistent with the approach adopted by similar councils. The Council has set a budget over the last two years, with a need to make considerable levels of savings.

In the last 2 years there has been a large variance between expected outturn and actual, resulting in underspend and net contribution to general fund balances.

At budget setting time, some of the savings are identified and built into departmental budgets. Other savings are identified as the year progresses and built into base budgets. As described above, there is review of budgets as the year progresses and position against budget is reported quarterly. However the continuing unexpected underspend suggests that there is some weakness in budgeting and monitoring arrangements.



amber

### Performance against Savings Plans

The Council is making considerable savings. As described above, not all the savings required to deliver the budget are identified at the start of the year. As schemes are identified they are incorporated into base budgets. Some savings are non specific, including from transformation.

The budget and medium term financial plan contain detail about where savings are to be made (within the appendices) and there is some mapping of savings to priorities.

There is little reporting of risks around savings plans or how these are being managed. There is no formal reporting during the year, or a year end review of whether planned savings schemes have been achieved.

The explanatory foreword to the accounts provides a high level overview of the out-turn against budget and could provide a better analysis of the financial out-turn. There is reference to expected achievement of savings from shared services, however there is no reporting of actual savings from shared services and transformation.



Amber

### Key Financial Accounting Systems

Internal Audit programme covers all the key financial systems. In year and the year and Chief Internal Auditor opinion reflects that all financial systems are operating as expected with no significant weakness in control



Green

# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
---------------	----------------------	------------

### Finance Department Resourcing

The Council is moving towards a shared finance department. This is in part constrained by the operation of two financial ledgers and because staff are located in two different locations – there are outline plans to address these two issues over the next 2 years. It is evident that staff are increasingly sharing roles which has the benefits of building in resilience and pooling expertise.

The staff structure has been reviewed periodically over the last 2 years and a senior manager review is on-going. Clearly a further review would be appropriate when staff are on site together, with the objective of reducing unit costs over time. A combined team provides scope to provide some specialism but there should also be good succession planning – to ensure that current expertise in critical areas is not lost as there is turnover of staff. There is currently reliance on 1 or 2 key individuals, and there is further scope for some increased delegation and reallocation of responsibilities.



Green

Clearly the current financial pressures means that finance is a critical support function for the Council, and the amount of work involved in changes such as implementing a ledger successfully and changing budgetary monitoring arrangements (e.g. to reflect new corporate priorities) should not be underestimated.

### Internal audit arrangements

Internal audit is provided by a shared service based at Worcester City Council. The approach is risk based and officers operate within the remit of the CIPFA code of practice.



The team appears to have appropriate skills and experience and the quality and scope of reviews is appropriate.

The team has had insufficient staffing resources which has resulted in slippage in their annual plan, although these problems were not as marked in 2012/13. The team did not complete all of its work by the time the CIA opinion was issued although most of the substantive work was complete. As with all services, there is budgetary pressure associated with the service and thus the scope to increase internal audit coverage is limited. The plan has included some 'critical friend' review of transformation which is appropriate. The Audit committee needs to be assured that the plan is flexed appropriately to reflect increased risk associated with staff turnover at the Council and changes in controls.



Green

# Financial Control (cont)

Area of focus	Summary observations	Assessment
<b>External audit arrangements</b>	<p>The prior year opinion on the accounts was unqualified and the accounts were well prepared without material errors. A material adjustment was made in the 2012/13 accounts however this was a one- off technical matter which is not a matter of particular concern.</p> <p>The scope of external audit work also includes providing a VFM conclusion. This was again unqualified.</p> <p>The 2011/12 ISA 260 report made a number of observations and recommendations around the Council's budget setting arrangements and management of savings plans. Not all these were accepted by members and there has not been any in year review of these recommendations by members.</p> <p>The AGS does refer to the recommendations made by external audit and refers to progress being made in addressing these matters.</p>	<p> <b>Green</b></p>
<b>Assurance framework/risk management</b>	<p>The Council manages the risks that the Council is facing through the work of the senior management team and the Cabinet and the reports provided to them.</p> <p>The Council does not yet have an embedded formal risk management culture, although there are some services where it is clearly taken very seriously – e.g. customer services. At a corporate level, a corporate risk register is not used as management tool but appears to be used more as a means of demonstrating governance to external agencies.</p> <p>The risk register, updated to reflect the review of consultants and to reflect the new corporate priorities is to be considered by members in September.</p>	<p> <b>Amber</b></p>

- 1 Executive Summary
- 2 Key Indicators
- 3 Strategic Financial Planning
- 4 Financial Governance
- 5 Financial Control
  
- Appendix - Key indicators of financial performance

# Key Indicators of Financial Performance

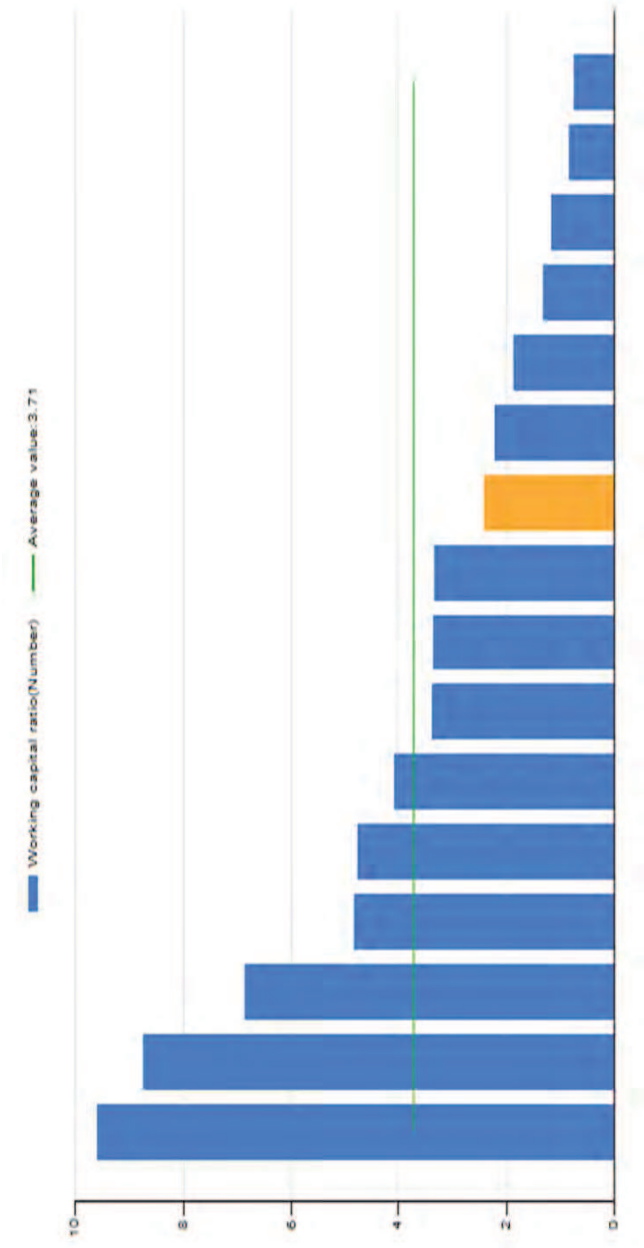
## Working Capital - Benchmarked

### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of assets to liabilities of 2:1 is usually considered to be acceptable, whilst a ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

### Findings

Table below shows the working capital ratio for Bromsgrove at 2.4 compared to its nearest neighbours in 2011/12. The 2012/13 unaudited accounts show an increase to 2.8. The Council remains in the preferred range of 2:1. This indicates that the council's liquidity has improved and remains in the preferred range.





# Key Indicators of Financial Performance

## Useable Reserves- Benchmarked

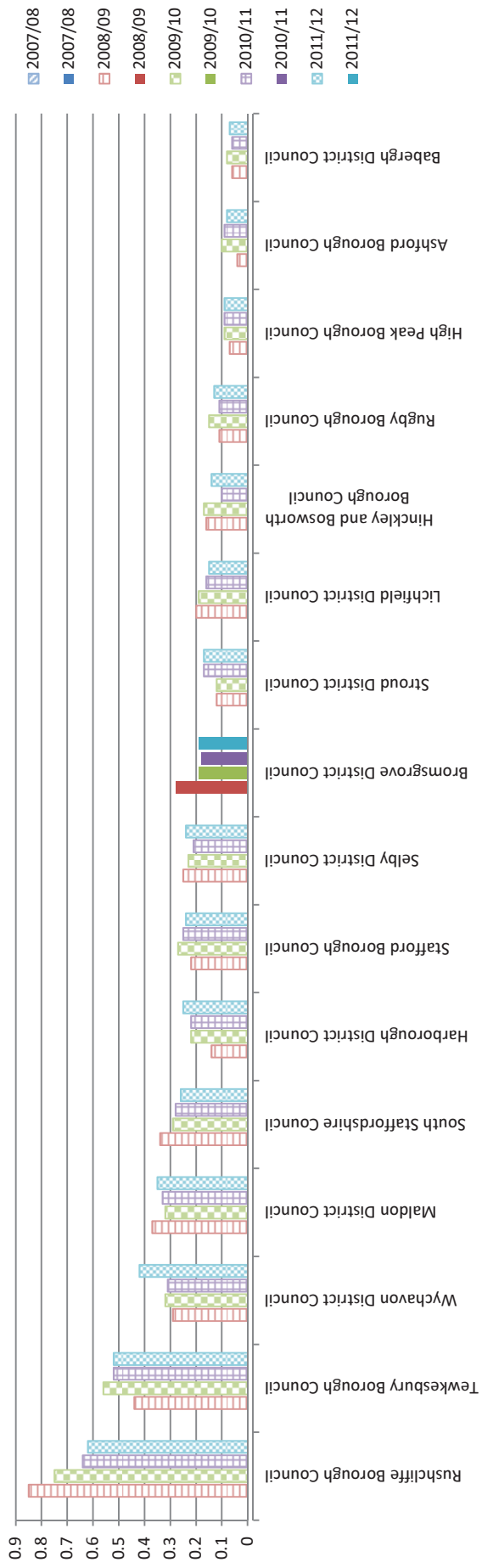
### Definition

This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

### Findings

The level of general fund reserves and earmarked reserves have remained fairly constant over the last 3 years. The overall ratio of usable reserves to general fund expenditure has remained relatively stable at slightly below the average for the comparator group at 0.19. A further £0.5m was added to balances in £2012/13. The level of useable capital receipts has had a downward trend.

Usable Reserves to Gross Revenue Expenditure ratio - trend [in order of 2011-12]



---

# Key Indicators of Financial Performance

## Sickness Absence Levels

### Background

The average sickness absence level for the public sector is 9.6 days per FTE, whilst the private sector average is 6.6. Many councils have taken a proactive approach to reducing the number of days lost to sickness each year. For example:

- London Borough of Croydon reduced absence from 12.5 days to 6.4 days over two years due to a new tougher sickness absence management.
- Cambridgeshire County Council reduced sickness absence levels to 5 days per employee using an approach built on a relationship of trust with staff and empowering managers to take control of absence management.

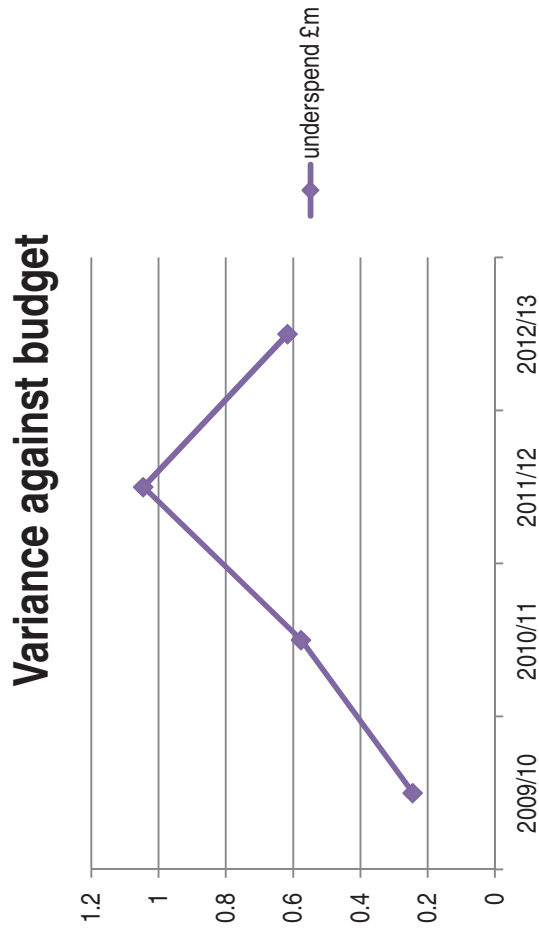
Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities during SR10, given the context of significant pressures on staff to deliver "more for less".

Over the last two years Bromsgrove's sickness levels have remained fairly stable at around 7.4 days lost per employee, although there are some departmental variances

Source: XXXX

# Key Indicators of Financial Performance

## Performance Against Budget: Track Record



The Council routinely underspends against it revised budget, as shown in the graph. This has increased the level of general fund balances and thus the financial resilience of the Council. It is unclear why the Council routinely underspends, but factors such as setting budgets without clear savings plans, weakness in forecasting and a tendency for budget holders to not declare savings until the year end could all be factors. Unplanned variances in budget could result in a lack of confidence in the council financial reporting.

Source: Bromsgrove District Council Financial statements



© 2013 Grant Thornton UK LLP. All rights reserved.  
'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.  
Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.  
[grant-thornton.co.uk](http://grant-thornton.co.uk)

## AUDIT BOARD

Date 20th March 2014

### BENEFITS SERVICES FRAUD INVESTIGATION - 1<sup>st</sup> Oct to 31<sup>st</sup> Dec 2013

Relevant Portfolio Holder	Councillor Mike Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Amanda De Warr, Head of Customer Access and Financial Support
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non -Key Decision	

#### 1. SUMMARY OF PROPOSALS

This report advises Members on the performance of the Benefits Services Fraud Investigation service.

#### 2. RECOMMENDATIONS

The Committee is asked to RESOLVE that subject to any comments, the report be noted.

#### 3. KEY ISSUES

##### Financial Implications

3.1 There are no specific financial implications.

##### Legal Implications

3.2 There are no specific legal implications.

##### Service/Operational Implications

3.3 Within the Finance and Resources Service there is a dedicated counter fraud team whose purpose is to prevent and deter fraud in addition to investigating any suspicions of fraudulent activity against the Authority.

3.4 This report gives performance information for the team from 1 October 2013 to 31 December 2013.

3.5 The Benefits Service decides entitlement to Housing Benefit and Council Tax Support in the local area. During the period of this report there were 3677 live Housing Benefit claims and 5102 Council Tax Support claims at any one time.

**AUDIT BOARD**

Date 20th March 2014

- 3.6 Direct expenditure for the period from 1 April 2013 until 31 December 2013 was £15,667,212 in Housing Benefit and £5,666,630 in Council Tax Support.
- 3.7 Approximately 45% of the caseload is made up of people of working age which results in a large number of claims from customers who are moving in and out of work and also claiming other out of work benefits.
- 3.8 Although measures have been put in place to make this transition easier for customers, it remains an area of risk of fraud entering the system. As both Housing Benefit and Council Tax Support are means tested benefits there are potential financial incentives to under declare income and savings or not to report a partner who may be working or have other income.
- 3.9 During the 3 month period overpayments of £136k in Housing Benefit were identified. Council Tax Support caused by claimant error is no longer classified as an overpayment and this amount is no longer measured.
- 3.10 The Fraud Team comprises a manager, two investigation officers and a support officer. All the team have completed the nationally recognised best practice qualifications in Professionalism in Security (PinS) appropriate to their role.
- 3.11 During quarter 3 of this year 47 fraud referrals were received and considered for investigation by the team.
- 3.12 18 of the referrals came from data-matching.
- 3.13 8 of these identified through the 2012/13 National Fraud Initiative, the scheme where public sector organisations are required to submit data to the Audit Commission for the purpose of identifying fraud. Our Benefit data is submitted every alternate year and cross matched against other datasets submitted in order to identify fraudulent claims, mainly where income such as earnings, private pensions or student finance has not been declared but also other types of fraud such as non-residency or undeclared capital.
- 3.14 The remainder (10) were identified through the Housing Benefit Matching Service (HBMS), a scheme run nationally for Local Authorities by the Department for Work and Pensions (DWP). Our live benefit caseload is matched on a monthly basis against records relating nationally paid benefits and tax credits, records relating to private pensions, HMRC records to identify undeclared work or savings as well as Post Office post redirection records.
- 3.15 17 referrals were from official sources.

**AUDIT BOARD**

Date 20th March 2014

- 3.16 5 of these were joint working invitations received from the DWP, 1 came from a Housing Association and the remainder from within Bromsgrove District Council (BDC), showing the value of maintaining awareness of benefit fraud with employees.
- 3.17 12 referrals came from other sources, mostly members of the public. This demonstrates the value of maintaining a high level of fraud awareness within the local community. An increase in the number of referrals from the public is experienced following reports of successful prosecutions in the local press giving details of the case and how to report suspicions of benefit fraud. This practice is understood to deter fraud as one of the main concerns of customers who are being interviewed under caution for benefit fraud offences is that their name will appear in the paper.
- 3.18 Many fraud referrals relate to benefits paid by both BDC and the DWP. In these cases, a joint approach is taken to ensure that the full extent of offending is uncovered and the appropriate action is taken by both bodies. This also maximises staffing resources by preventing duplicate investigation work.
- 3.19 12 investigations were closed during the period and fraud or error was established in 11 of these.
- 3.20 1 customer was prosecuted. The offence in this case related to undeclared capital.
- 3.21 Cautions were accepted by 7 customers. The offences in 2 of these cases related to work, 2 cases related to increases in non-dependant's income, 1 case related to undeclared Tax Credits, 1 to undeclared capital and the other to undeclared student income.
- 3.22 No administrative penalties were offered as an alternative to prosecution during the period of this report.
- 3.23 The remaining 3 cases were closed without sanctions although overpayments were identified on them. There must be sufficient evidence to prosecute for any sanction to be considered. At times this cannot be established and the file must therefore be closed without sanction.
- 3.24 Fraud investigation can impact upon other areas of benefit administration. The biggest impact is upon the identification of overpaid Housing Benefit and excess payments of Council Tax Support. Some of these overpayments can be extremely large and can distort the apparent recovery rate of overpayments.
- 3.25 Overpayments on the files closed during the period of this report totalled £28k in Housing Benefit and £5k in Council Tax Support. (The

**AUDIT BOARD**

Date 20th March 2014

excess Council Tax identified through the Team's actions continue to be recorded even though the total excess cannot be given in 3.4) Some of these overpayments may be included in the totals identified as shown in 3.4 but because investigations can sometimes continue for a considerable time after the overpayment is calculated, many of these will have been calculated in prior to 1 October 2013.

- 3.26 Further information regarding the Single Fraud Investigation Service (SFIS), as announced as part of the Government's Welfare reform plans was given in the Autumn Statement by the Chancellor of the Exchequer on Thursday 5 December 2013.
- 3.27 In a letter addressed to Local Authority Chief Executives by the DWP it was confirmed that SFIS will be launched within DWP as a single organisation and implementation will commence in 2014. The letter said that they are looking forward to continuing close working with partners to enable the national rollout. Local authorities remain key partners and their expertise and knowledge continues to be invaluable in the development of SFIS.
- 3.28 Current implementation plans are that SFIS will be implemented on a phased basis between October 2014 and March 2016. Consideration is also being given to trialling a small number of test sites before full roll-out commences. The DWP has taken the strategic business decision that in order to maintain an effective fraud investigation service it is keen for the staff assigned to this work to transfer with it but at this stage there is insufficient information to say conclusively whether TUPE will or will not apply.
- 3.29 It was also announced in the Autumn Statement and details given in a letter sent by the Rt Hon Eric Pickles MP to all Local Authority Leaders on 5 December 2013 that alongside the roll out of SFIS, DCLG and DWP are investing in local government's capacity to tackle non-welfare fraud. The package will include extra funding over 2014-15 and 2015-16, although we do not yet have any further details on this.
- 3.30 The introduction of the Council Tax Support (CTS) scheme also has implications for the Team. Powers to investigate CTS have been introduced and will need to be incorporated into the local scheme. Because CTS offences are not within Social Security legislation there will be an effect on joint working with the DWP. SFIS plans include creating a national framework of protocol agreements to facilitate joint working and support mechanisms for non-welfare benefit fraud investigation.



**AUDIT BOARD**

Date 20th March 2014

**Customer / Equalities and Diversity Implications**

- 3.31 A robust mechanism for pursuing Housing Benefit and Council Tax Support Fraud is important to customers who expect to see action taken to reduce fraud and overpayment of benefits

**4. RISK MANAGEMENT**

- 4.1 Without adequate performance monitoring arrangements there is a risk that the Benefits Service could lose subsidy and that additional costs could be incurred. In addition, without effective counter fraud activity increased numbers of claims where no or reduced entitlement would remain in payment and add to the service cost.

**5. APPENDICES**

- Appendix 1 - Example cases  
Appendix 2 - Additional demographic information

**6. BACKGROUND PAPERS**

None

**7. KEY****AUTHOR OF REPORT**

Name: Shona Knight  
E Mail: [s.knight@bromsgroveandredditch.gov.uk](mailto:s.knight@bromsgroveandredditch.gov.uk)  
Tel: (01527) 881240

This page is intentionally left blank

### EXAMPLE CASES

#### Case 1

A 33 year old woman was prosecuted for failing to declare that she had inherited £30,000 from her late mother's property.

This investigation was started by the DWP who invited BDC to join the investigation in order for the full extent of offending to be identified and the prosecution was conducted by the Crown Prosecution Service who prosecute cases on behalf of the DWP.

The investigation resulted in overpayments of £2,038 Housing Benefit, £510 Council Tax Benefit and £3,620 in DWP benefits being identified.

The customer was sentenced to 12 months conditional discharge. The Housing Benefit overpayment is being recovered through deductions from the customer's current entitlement and the Council Tax is being recovered through deductions from DWP benefit.

#### Case 2

A 30 year old woman accepted a caution as an alternative to prosecution after admitting offences of providing false information about the amount of her earnings when her claim was reviewed and verified in July 2011.

This investigation was started after a further review which began as a result of a data match from HBMS identifying that the amount of wages on the claim had not altered for at least 13 months, found the discrepancy.

Overpayments of £1,177 Housing Benefit and £343 Council Tax Benefit were initially identified but reduced to £614 Housing Benefit and £57 Council Tax Benefit after the possibility of underlying entitlement identified at the interview under caution was confirmed. The Housing Benefit overpayment is being repaid by monthly instalments.

#### Case 3

An investigation into the claim of a 48 year old man was closed without sanction as there was insufficient evidence available to proceed.

The Housing Benefit and Council Tax Benefit/Support claim had been in payment based on the customer being in receipt of Jobseeker's Allowance (JSA) until it was identified through a HBMS match that this had ceased 6 months earlier.

The customer failed to attend an interview under caution and no employment evidence was available to prove income after JSA ceased.

Overpayments of £2,718 Housing Benefit and £546 Council Tax Benefit/Support were identified. Recovery action is ongoing to recover the Housing Benefit overpayment and the amount still owing on the Council Tax account.

This page is intentionally left blank

# Agenda Item 6

## APPENDIX 2

This table gives additional information on the nature and demographic profile of cases of benefit fraud where sanctions were applied during the period covered by this report.

Gender	Status	No. dep children	Tenancy type	Area	Fraud type	Outcome
Female	Single	1	H/A	Catshill	Capital	Prosecution
Female	Single	1	P/T	Sidemoor	Non-depend'nt	Caution
Female	Single	2	P/T	Slideslow	Earnings	Caution
Male	Single	0	H/A	Rubery	Earnings	Caution
Male	Single	0	H/A	Sidemoor	Capital	Caution
Female	Single	0	H/A	Charford	Non-depend'nt	Caution
Female	Partnered	1	H/A	Sidemoor	Student income	Caution
Female	Partnered	2	P/T	Rubery	Tax Credits	Caution

This page is intentionally left blank

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

#### **TREASURY MANAGEMENT STRATEGY STATEMENT AND INVESTMENT STRATEGY 2013-14 TO 2015-16**

Relevant Portfolio Holder	Mike Webb
Portfolio Holder Consulted	
Relevant Head of Service	Jayne Pickering
Wards Affected	All
Ward Councillor Consulted	None specific
Non-Key Decision	

#### **1. SUMMARY OF PROPOSALS**

- 1.1 Members are asked to approve the strategy statement for treasury management and investments in order to comply with the Local Government Act 2003.

#### **2. RECOMMENDATIONS**

- 2.1 Audit Board to approve:

- 2.1.1 the Strategy and Prudential Indicators shown at Appendix 1.
- 2.1.2 the Authorised Limit for borrowing at £12 million if required.
- 2.1.3 the maximum level of investment to be held within each organisation (i.e. bank or building society) as detailed at £3 million, subject to market conditions.
- 2.1.4 an unlimited level for investment in Debt Management Account Deposit Facility (DMADF).
- 2.1.5 the updated Treasury Management Policy shown at Appendix 2, and

#### **3. KEY ISSUES**

##### **Financial Implications**

- 3.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public services (the CIPFA TM Code) and the Prudential Code require local authorities to set the Treasury Management Strategy Statement (TMSS) and Prudential Indicators each

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

financial year. The TMSS also incorporates the Investment Strategy as required under the CLG's Investment Guidance.

3.2 CIPFA has defined Treasury Management as:

*“the management of the organisation’s investments, cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

3.3 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Treasury management risks are identified in the Council's approved Treasury Management Practices and include:

- Liquidity Risk (Adequate cash resources)
- Market or Interest Rate Risk (Fluctuations in the value of investments).
- Inflation Risks (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risks (Impact of debt maturing in future years).
- Legal & Regulatory Risk (Compliance with statutory and regulatory requirements)

3.4 In addition the Local Government Act 2003 requires the Council to 'have regard to the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable'.

3.5 The revised CLG guidance issued in November 2011 makes it clear that investment priorities should be security and liquidity, rather than yield and that authorities should not rely just on credit ratings, but consider other information on risk.

3.6 The guidance requires investment strategies to comment on the use of treasury management consultants and on the investment of money borrowed in advance of spending needs.

3.7 In formulating the Treasury Management Strategy and the setting of the Prudential Indicators, the Council adopts the Treasury Management Framework and Policy recommended by CIPFA.

#### Legal Implications



## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

3.8 This is a statutory report under the Local Government Act 2003.

#### **Service/Operational Issues**

3.9 None as a direct result of this report.

#### **Customer/ Equalities and Diversity**

3.10 None as a direct result of this report.

### **4. RISK MANAGEMENT**

4.1 Failure to manage the Treasury Management function effectively to ensure the delivery of maximum return within a secure environment. These controls in place to mitigate these risks are as follows:

- Quarterly reporting to Overview and Scrutiny Committee and Audit Board of financial position on investments
- Regular monitoring of the status of the organisations we invest with
- Daily monitoring by internal officers of banking arrangements and cash flow implications.

### **5. APPENDICES**

Appendix 1 - Treasury Management Strategy Statement and Investment Strategy 2014/15

Appendix 2 – Treasury Management Policy Statement

### **AUTHOR OF REPORT**

Name: Kayleigh Sterland-Smith

E Mail: Kayleigh.sterland-smith@bromsgroveandredditch.gov.uk

Tel: (01527) 64252 internal ext. 3172

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

Appendix 1

### **Treasury Management Strategy Statement And Investment Strategy 2014/15**

#### **1. Introduction**

- 1.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators (PIs) on an annual basis. The TMSS also includes the Annual Investment Strategy (AIS) that is a requirement of the CLG's Investment Guidance.
- 1.2 The purpose of this TMSS is, therefore, to approve:
  - Treasury Management Strategy for 2014/15
  - Annual Investment Strategy for 2014/15
  - Prudential Indicators for 2014/15, 2015/16 and 2016/17
  - MRP Statement.
- 1.3 Treasury Management is about the management of risk. The Authority is responsible for its treasury decisions and activity. No treasury management activity is without risk.
- 1.4 In accordance with the requirements of the Prudential Code, the Authority has adopted the CIPFA Treasury Management Code at a meeting of the Council on 17<sup>th</sup> March 2010.
- 1.5 All treasury activity will comply with relevant statute, guidance and accounting standards.

#### **2. Background**

- 2.1 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with Usable Reserves, are the core drivers of the Authority's Treasury Management activities.
- 2.2 The Authority's currently (28/02/2014) has no external debt and £15 million in short term investments.

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

- 2.3 The Authority is able to borrow funds in excess of the current level of its CFR up to the projected level in 2014/15. The Authority is likely to only borrow in advance of need if it felt the benefits of borrowing at interest rates now compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required.
- 2.4 The forecasted movement in the CFR in coming years is one of the Prudential Indicators (PIs). The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years.

**Table 1: Balance Sheet Summary Analysis**

	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
CFR	0	7,085	4,066	1,140
Balances & Reserves	4,890	2,745	1,806	404
<b>Cumulative Net Borrowing Requirement/(Investments)</b>	<b>(4,890)</b>	<b>4,340</b>	<b>2,260</b>	<b>736</b>

- 2.5 Table 1 shows that the capital expenditure plans of the Authority cannot be funded entirely from sources other than external borrowing.

### **3. Interest Rate Forecast**

- 3.1 The economic and interest rate forecast provided by the Authority's treasury management advisor is attached. The Authority will reappraise its strategies from time to time in response to evolving economic, political and financial events.

### **4. Borrowing Strategy**

- 4.1 Treasury management and borrowing strategies in particular continue to be influenced not only by the absolute level of borrowing rates but also the relationship between short and long term interest rates. The interest rate forecast provided indicates that an acute difference between short and longer term interest rates is expected to continue. This difference creates a "cost of carry" for any new longer term borrowing where the proceeds are temporarily held as investments because of the difference between what is paid on the borrowing and what is earned on the investment. Whilst the cost of carry can be assumed to be a reasonably short-term

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

issue since borrowing is often for longer dated periods (anything up to 50 years) it cannot be ignored against a backdrop of uncertainty and affordability constraints in the Authority's wider financial position.

4.2 The Authority has a gross and net borrowing requirement 2014/15 onwards as indicated in Table 1. The Authority will adopt a flexible approach to this borrowing. The following issues will be considered prior to undertaking any external borrowing:

- Affordability;
- Maturity profile of existing debt;
- Interest rate and refinancing risk;
- Borrowing source.

#### **5. Sources of Borrowing and Portfolio implications**

5.1 The Authority will keep under review the following borrowing sources:

- PWLB
- Local authorities
- Commercial banks
- European Investment Bank
- Money markets
- Capital markets (stock issues, commercial paper and bills)
- Structured finance
- Leasing

#### **6. Annual Investment Strategy**

6.1 In accordance with Investment Guidance issued by the CLG and best practice, this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments followed by the yields earned on investments is important but are secondary considerations.

6.2 Credit markets remain in a state of distress as a result of the excessive and poor performing debt within the financial markets. In some instances, Greece and Italy being the most notable examples, the extent and implications of the debt it has built up have led to a sovereign debt crisis and a banking crisis with the outcome still largely unknown. It is against

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

20<sup>th</sup> March 2014

this backdrop of uncertainty that the Authority's investment strategy is framed.

- 6.3 Investments are categorised as "Specified" or "Non-Specified" within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They also meet the "high credit quality" as determined by the Authority and are not deemed capital expenditure investments under Statute. Non specified investments are, effectively, everything else.
- 6.4 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

**Table 2: Specified and Non-Specified Investments**

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Certificates of deposit with banks and building societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	x
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	x
Commercial Paper	✓	x
Corporate Bonds	✓	✓
Money Market Funds	✓	x
Other Money Market and Collective Investment Schemes	✓	✓
Debt Management Account Deposit Facility	✓	x

- 6.5 A number of changes were implemented to the investment strategy for 2012/13 in response to changes in the CLG Guidance and evolving conditions in financial markets. These resulted in the inclusion of corporate bonds which the CLG indicated would become an eligible non-capital investment from 1<sup>st</sup> April 2012. A number of amendments were also made

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

in relation to the individual institutions with which the Authority is prepared to lend its funds.

- 6.6 The Authority will select countries and financial institutions after analysis and ongoing monitoring of:
- Published credit ratings for financial institutions (minimum long term rating of A- or equivalent for counterparties; AA+ or equivalent for non-UK sovereigns) – this is lower than the A+ minimum adopted in 2011/12 and is in response to downgrades in credit ratings below A+ of many institutions considered to be systemically important to the financial system.
  - Credit Default Swaps (where quoted)
  - Economic fundamentals (for example Net Debt as a percentage of GDP)
  - Sovereign support mechanisms
  - Share Prices
  - Corporate developments, news, articles, markets sentiment and momentum
  - Subjective overlay – or, put more simply, common sense.

Any institution can be suspended or removed should any of the factors identified above give rise to concern.

It remains the Authority's policy to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. What this means is that an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

- 6.7 **Authority's Banker** – The Authority banks with HSBC. At the current time, it *does* meet the minimum credit criteria of A- (or equivalent) long term. *Even if the credit rating falls* below the Authority's minimum criteria HSBC will continue to be used for short term liquidity requirements (overnight and weekend investments) and business continuity arrangements.
- 6.8. **Promoting Economic Development**
- Loans for Small and Medium Enterprises (SMEs) – Subject to Audit Board approval, under this scheme the Council may loan up to £1million through a Bromsgrove Business Loans Fund administered by Finance Birmingham to SMEs which have been refused funding from banks. This is classified

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

as being a service investment, rather than treasury management investment, and is therefore outside of the Specified/Non specified categories.

#### **7. Investment Strategy**

7.1 With short term interest rates low for even longer, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns. The problem in the current environment is finding an investment counterparty providing acceptable levels of counterparty risk.

7.2 In order to diversify an investment portfolio largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. The maximum investment level with each counterparty will be set to ensure prudent diversification is achieved.

7.3 Money market funds (MMFs) will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to diversify any exposure by utilising more than one MMF. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs, the Council will ensure exposure to each Fund does not exceed 2% of the net asset value of the Fund.

#### **8. The Use of Financial Instruments for the Management of Risks**

8.1 Currently, Local Authorities' legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Bill is not sufficiently explicit. Consequently, the authority does not intend to use derivatives.

8.2 Should this position change, the Council may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require full Council approval.

#### **9 Balanced Budget Requirement**

9.1 The Authority complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

#### **10. 2014/15 MRP Statement**

- 10.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.
- 10.2 The broad aim of “prudent provision” is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant. This Authority does not have any borrowing supported by Revenue Support Grant.
- 10.3. MRP is calculated in the financial year after the capital expenditure has been incurred and so the capital spend in 2013/14 informs the MRP set aside in the revenue account for 2014/15. The new regulations have added an exception to this in that if expenditure has been incurred on an asset which has not become operational then MRP does not need to be set aside until the financial year after the asset becomes operational. In effect authorities are entitled to a “MRP holiday” until the new asset becomes operational.
- 10.4 MRP in respect of leases that have been brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

#### **11. Monitoring and Reporting on the Treasury Outturn and Prudential Indicators**

- 11.1 The Executive Director of Finance and Corporate Resources will report to Audit Board on treasury management activity / performance and Performance Indicators as follows:
- Quarterly against the Strategy approved for the year. The Authority will produce an outturn report on its treasury activity no later than 30<sup>th</sup> September after the financial year end.
  - The Audit Board will be responsible for the scrutiny of treasury management activity and practices.

#### **12. Other Items**



## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

#### 12.1 Training

CIPFA's Code of Practice requires the Executive Director of Finance and Corporate Resources to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Responsibility for scrutiny of the Treasury Management function will rest with the Audit Board. The Executive Director of Finance and Corporate Resources will ensure that adequate training is provided for all relevant Members during the Financial Year.

#### 12.2 Investment Consultants/Treasury Advisors

The CLG's Guidance on local government investments recommend that the Investment Strategy should state:

- Whether and, if so, how the authority uses external contractors offering information, advice or assistance relating to investment and
- How the quality of any such service is controlled.

The Council currently uses external consultants, Arlingclose for information and advice relating to investments. Updated information is received and monitoring undertaken by regular meetings and reports between the Executive Director of Finance and Resources and representatives from Arlingclose.

This arrangement will be reviewed for 2014/15.

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

#### Appendix A

### **Prudential Indicators 2014/15 – 2016/17**

#### **1 Background:**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

#### **2. Net Borrowing and the Capital Financing Requirement:**

This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

The Executive Director of Finance and Corporate Resources reports that the authority had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

#### **3. Estimates of Capital Expenditure:**

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

<b>Capital Expenditure</b>	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
General	3,677	10,258	6,166	4,903
<b>Total</b>	<b>3,677</b>	<b>10,258</b>	<b>6,166</b>	<b>4,903</b>

3.2 Capital expenditure will be financed or funded as follows:

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

20<sup>th</sup> March 2014

Capital Financing	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Capital receipts	3,168	2,040	2,100	3,763
Government Grants	310	315	0	0
Section 106	0	0	0	0
Other contributions	199	818	0	0
<b>Total Financing</b>	<b>3,677</b>	<b>3,173</b>	<b>2,100</b>	<b>3,763</b>
Unsupported borrowing	0	7,085	4,066	1,140
<b>Total Funding</b>	<b>0</b>	<b>7,085</b>	<b>4,066</b>	<b>1,140</b>
<b>Total Financing and Funding</b>	<b>3,677</b>	<b>10,258</b>	<b>6,166</b>	<b>4,903</b>

#### 4. Capital Financing Requirement:

4.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing.

Capital Financing Requirement	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General Fund	0	7,085	4,066	1,140
<b>Total CFR</b>	<b>0</b>	<b>7,085</b>	<b>4,066</b>	<b>1,140</b>

#### 5. Actual External Debt:

5.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2013	£'000
Borrowing	69
Other Long-term Liabilities	0
<b>Total</b>	<b>69</b>

#### 6. Authorised Limit and Operational Boundary for External Debt

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

- 6.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 6.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities. This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.
- 6.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 6.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

<b>Authorised Limit for External Debt</b>	<b>2013/14 Estimate £'000</b>	<b>2014/15 Estimate £'000</b>	<b>2015/16 Estimate £'000</b>	<b>2016/17 Estimate £'000</b>
Borrowing	3,500	12,000	13,500	16,000
Other Long-term Liabilities	0.0	0.0	0.0	0.0
<b>Total</b>	<b>3,500</b>	<b>12,000</b>	<b>13,500</b>	<b>16,000</b>

- 6.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.
- 6.6 The Executive Director of Finance and Corporate Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

20<sup>th</sup> March 2014

appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of Audit Board.

Operational Boundary for External Debt	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Borrowing	2,500	11,000	12,500	15,000
Other Long-term Liabilities	0	0	0	0
<b>Total</b>	<b>2,500</b>	<b>11,000</b>	<b>12,500</b>	<b>15,000</b>

#### 7. Adoption of the CIPFA Treasury Management Code

7.1 This indicator demonstrates that the Council has adopted the principles of best practice.

<b>Adoption of the CIPFA Code of Practice in Treasury Management</b>
The Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 18 <sup>th</sup> May 2005.

The Council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

#### 8. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

8.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on (*select as appropriate*) net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments / net interest paid (i.e. interest paid on fixed rate debt net of interest received on fixed rate investments)

8.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
<b>Upper Limit for Fixed Interest Rate Exposure</b>	100	100	100	100

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

20<sup>th</sup> March 2014

Upper Limit for Variable Interest Rate Exposure	100	100	100	100
---	-----	-----	-----	-----

8.3 As the Council does not have long-term debt, the limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.

#### 9. Maturity Structure of Fixed Rate borrowing:

9.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

9.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Maturity structure of fixed rate borrowing	Lower Limit for 2014/15 %	Upper Limit for 2014/15 %
under 12 months	0.00	100.00
12 months and within 24 months	0.00	100.00
24 months and within 5 years	0.00	100.00
5 years above	0.00	100.00

As the Council does not have long-term debt, the limits above provide the necessary flexibility within which decisions will be made for drawing down new loans, should it be necessary, in the appropriate maturity band.

#### 10. Credit Risk:

10.1 The Council considers security, liquidity and yield, in that order, when making investment decisions.

10.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

10.3 The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- Sovereign support mechanisms;
- Credit default swaps (where quoted);
- Share prices (where available);
- Economic fundamentals, such as a country's net debt as a percentage of its GDP);
- Corporate developments, news, articles, markets sentiment and momentum;
- Subjective overlay.

10.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

#### **11. Upper Limit for total principal sums invested over 364 days:**

11.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Upper Limit for total principal sums invested over 364 days	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
	2.0	2.0	2.0	2.0

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

20<sup>th</sup> March 2014

#### Appendix B – Arlingclose Economic & Interest Rate Forecast (December 2013)

##### Underlying assumptions:

- Growth continues to strengthen with the second estimate for Q3 growth coming in at an unrevised 0.8%. The service sector remains the main driver of growth, boosted by a contribution from construction.
- The unemployment rate has fallen to 7.6%. The pace of decline in this measure will be dependent on a slower expansion of the workforce than the acceleration in the economy, alongside the extent of productivity.
- The CPI for November has fallen to 2.1%, a much more comfortable position for the MPC. Utility price increases are expected to keep CPI above the 2% target in 2014, before falling back again.
- The principal measure in the MPC's Forward Guidance on interest rates is the Labour Force Survey (LFS) unemployment rate. The MPC intends not to raise the Bank Rate from its current level of 0.5% at least until this rate has fallen to a threshold of 7%.
- Absent risks to either price stability or financial stability, the MPC will only tighten policy when it is convinced about the sustained durability of economic growth.

##### Forecast:

Our projected path for short term interest rates remains flat. Markets are still pricing in an earlier rise in rates than warranted under Forward Guidance and the broader economic backdrop. The MPC will not raise rates until there is a sustained period of strong growth.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
<b>Official Bank Rate</b>													
Upside risk		0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	1.00
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk													
<b>3-month LIBID rate</b>													
Upside risk	0.20	0.25	0.30	0.35	0.40	0.50	0.55	0.60	0.65	0.70	0.75	0.90	0.95
Arlingclose Central Case	0.45	0.45	0.50	0.55	0.65	0.75	0.75	0.75	0.75	0.80	0.80	0.80	0.80
Downside risk			0.05	0.10	0.20	0.30	0.30	0.30	0.30	0.30	-0.35	-0.35	-0.35
<b>1-yr LIBID rate</b>													
Upside risk	0.35	0.30	0.35	0.40	0.45	0.50	0.60	0.70	0.75	0.75	0.75	0.80	0.80
Arlingclose Central Case	0.90	0.95	0.95	0.95	1.00	1.05	1.10	1.15	1.20	1.25	1.30	1.40	1.40
Downside risk	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	1.45	1.50	1.55	1.60	1.65	1.70	1.75	1.85	1.95	2.10	2.30	2.50	2.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>10-yr gilt yield</b>													
Upside risk	0.50	0.50	0.50	0.65	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	2.55	2.60	2.65	2.70	2.75	2.80	2.85	2.90	3.00	3.10	3.30	3.50	3.50
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.75	-0.80	-0.80	-0.80
<b>20-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.25	3.30	3.35	3.40	3.45	3.50	3.55	3.65	3.75	3.85	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80
<b>50-yr gilt yield</b>													
Upside risk	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.45	3.50	3.55	3.60	3.65	3.70	3.75	3.80	3.85	3.95	4.05	4.15	4.15
Downside risk	-0.50	-0.50	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.65	-0.70	-0.75	-0.80	-0.80



## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

Appendix 2

### **TREASURY MANAGEMENT POLICY STATEMENT**

#### **1. INTRODUCTION AND BACKGROUND**

- 1.1 The Council adopts the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code), as described in Section 5 of the Code.
- 1.2 Accordingly, the Council will create and maintain, as the cornerstones for effective treasury management:-
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 1.3 The Council (i.e. full Council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 1.4 The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to Audit Board and for the execution and administration of treasury management decisions to Executive Director of Finance and Resources, who will act in accordance with the organisation's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.5 The Council nominates Audit Board to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

#### **2. POLICIES AND OBJECTIVES OF TREASURY MANAGEMENT ACTIVITIES**

- 2.1 The Council defines its treasury management activities as:

“The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.2 This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

20<sup>th</sup> March 2014

---

activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

- 2.3 This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”
- 2.4 The Council’s borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk.
- 2.5 The Council’s primary objective in relation to investments remains the security of capital. The liquidity or accessibility of the Authority’s investments followed by the yield earned on investments remain important but are secondary considerations.

## AUDIT BOARD

20<sup>TH</sup> MARCH 2014

### CORPORATE FRAUD – AUDIT REVIEW

Relevant Portfolio Holder	Councillor Mike Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering – Executive Director, Finance and Resources
Wards Affected	All

#### 1. SUMMARY OF PROPOSALS

- 1.1 To present the Audit brief of the Internal Audit review currently being undertaken in relation to Corporate Fraud.

#### 2. RECOMMENDATIONS

**Members are requested to note the Audit Brief in relation to Corporate Fraud.**

#### 3. KEY ISSUES

- 3.1. As members are aware at a previous meeting of this Board the issue of Whistleblowing and Corporate Fraud have been discussed. As part of the Internal Audit Plan for 2013/14 a review of the Councils policies and practices in relation to Corporate Fraud and Whistleblowing has been requested. This will inform any revisions to the current policies to ensure that the Council has robust controls in place to prevent corporate fraud and is supporting staff that have concerns that they wish to raise.
- 3.2 The attached document at Appendix 2 is the Audit Brief for this review. The areas covered will address current policies and procedures whilst identifying best practice across the Audit environment.
- 3.3 The results of the Audit will be presented to the next Board and Members will have the opportunity to consider the action plans in place to improve the controls we currently have in place to manage this issue.
- 3.4 In addition the current whistleblowing policy is attached at Appendix 1. This will be one of the policies reviewed by the Audit team with the aim to improve it as part of the brief.

#### Financial Implications

- 3.5 The Council works in partnership with Worcester City Council and this audit will be funded within the annual charge which covers all audit activity.

**AUDIT BOARD**20<sup>TH</sup> MARCH 2014**Legal Implications**

- 3.6 Robust controls in place to prevent corporate fraud and supporting staff who wish to raise concerns, enables the Council to meet its legal responsibilities in relation to statutory compliance with accounting policies and procedures.

**Service / Operational Implications**

- 3.7 The mitigation of fraud will ensure funds are available to support the Councils operational services.

**Customer / Equalities and Diversity Implications**

- 3.8. No direct implications.

**4. RISK MANAGEMENT**

The controls to mitigate fraud and associated risks are included in the corporate risk register and are managed by the Executive Director of Finance and Resources on a regular basis. These may be enhanced following the Audit.

**5. APPENDICES**

Appendix 1 – Current Whistleblowing policy  
Appendix 2 – Internal Audit Brief re Corporate Fraud.

**AUTHORS OF REPORT**

Name: Jayne Pickering Executive Director Finance & Resources  
E Mail: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: (01527) 881400



**Bromsgrove**  
District Council

[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

# **Confidential Reporting Code (Whistleblowing)**



## Confidential Reporting Code

### Contents

Description	Page No.
Introduction	3
Aims and Scope of the Code	4
The Public Interest Disclosure Act 1998	5
Safeguards:	6
Harassment or Victimisation of Workers	6
Confidentiality	7
Anonymous Allegations	7
Rights and Responsibilities of Workers	7
Untrue Allegations	7
How to Raise a Concern	8
How the Council Will Respond	9
The Responsible Officer	10
How the Matter Can Be Taken Further	11

### Introduction

This Policy relates to 'Whistleblowing', which is a popular term used when someone who works in or for an organisation raises concern over a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organisations own reputation.

Whistleblowing can alert employers to:

- a danger in the workplace
- fraud in, on or by the organisation
- offering, selling or taking of bribes
- misreporting performance data

By taking such reports seriously, Bromsgrove District Council will be able to:

- deter wrongdoing
- pick up potential problems early
- address the issue
- demonstrate that it is accountable and well managed
- create a culture of openness and honesty
- minimise costs and compensation from accidents, investigations and inspections
- maintain and build on its reputation

This Code of Confidentiality applies to all staff working for the Council, full and part time, temporary and casual and it also covers agency and contractor staff. Reference to workers within this Code covers all of these categories.

Although not covered by the Public Interest Disclosure Act 1998, Members are also encouraged to use this Code to raise concerns to ensure a consistent protocol is applied.

Workers are often the first to realise that there may be something wrong within the Council. However, they may not express their concerns or make allegations because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect workers and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.

This Code makes it clear that workers can do so without fear of victimisation, subsequent discrimination or disadvantage. This Code is intended to encourage and enable workers to raise concerns or make allegations within the Council rather than overlooking a problem or 'blowing the whistle' outside. Anyone responsible for victimising a worker who uses this Code will be subject to disciplinary action.

This Code, when applicable, also applies to suppliers and those providing services under a contract with the Council.

This Code is in addition to the Council's Code of Conduct, Local Disciplinary Procedure, Grievance Procedure, Harassment Policy, Complaints Process and other policies and procedures.

This Code has previously been discussed with the relevant trade unions and has their support.

## **Aims and Scope of the Code**

This Code aims to:

- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice;
- provide avenues for you to raise those concerns or make allegations and receive feedback on any action taken;
- ensure that you receive a response to your concerns or allegations and that you are aware of how to pursue them if you are not satisfied;
- reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.

This Code is not intended to cover concerns that can be progressed under existing Human Resource procedures. There are existing procedures in place for workers to legitimately complain about harassment, violence and aggression, discrimination and instances where they feel they have a grievance. The Confidential Reporting Code is intended to cover concerns or allegations that fall outside the scope of other procedures. These concerns or allegations include:

- conduct which is an offence or a breach of law;
- disclosures related to miscarriages of justice;
- health and safety risks, including risks to the public as well as other workers;
- damage to the working environment;
- the unauthorised use of public funds;
- misappropriation of money, materials and equipment, or other irregularities;
- possible fraud and corruption;
- sexual or physical abuse of clients; or
- other unethical conduct.

The above does not represent an exhaustive list of areas covered by this Code.

Any serious concern that you have about any aspect of service provision or the conduct of officers or Members of the Council or others acting on behalf of the Council can be reported, together with any allegations that you may wish to make, under the Code. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience, or the standards that you believe the Council subscribes to;
- is against the Council's Financial Standing Orders, Financial Regulations, Contracts Procedure Rules or general procurement procedures;



- falls below established standards of practice; or
- amounts to improper conduct.

This Code does not replace the Corporate Complaints Procedure.

## **The Public Interest Disclosure Act 1998**

The Public Interest Disclosure Act 1998, called the “Whistleblowers Act” provides protection for workers who disclose information that might otherwise be regarded as confidential. The Act provides that employers should not victimise any worker who blows the whistle in one of the ways set out in the legislation.

The Act makes it clear that where the nature of such a disclosure falls into one of six categories detailed below and the manner of the disclosure is one permitted by the Act; workers will have protection in law from detrimental action by the employer. The six categories are:

1. a criminal offence has been, is being, or is about to be committed;
2. the employer is failing to comply with legal obligations;
3. a miscarriage of justice has happened or is likely to happen;
4. an individual’s health and safety is being jeopardised;
5. the environment is, or is likely to be damaged; or
6. information falling into one of the above categories which has been, is being or is likely to be, deliberately concealed.

A worker does not have to show that, for example, a criminal offence has been committed. He or she has to have a reasonable belief that this is the case. It will be for an employment tribunal to decide whether or not such a belief was reasonable.

The Act gives protection to workers who make disclosures to specified persons in various circumstances. Protection applies where a disclosure is made:

- to the employer or to another responsible person provided the worker acts in good faith;
- in the course of obtaining legal advice; or
- to a person or body prescribed by the Secretary of State, provided the worker acts in good faith and reasonably believes the information falls within the potentially protected categories and is substantially true.

The Act also gives protection to workers who make “external” disclosures to persons other than listed above. Workers however will only be protected under this general category if they have previously disclosed the matter to the employer or a prescribed body or have not done so because they reasonably believe they would have been victimised or evidence would have been concealed or destroyed. They must also:

- make the disclosure in good faith;
- reasonably believe that the information, and any associated allegation, are substantially true;
- not act for personal gain; and
- act reasonably.

In deciding whether a worker has acted reasonably, all the circumstances will be taken into account but in particular:

- the identity of the person to whom the disclosure is made;
- the seriousness of the relevant offence;
- whether the offence is continuing or is likely to occur in the future;
- whether the disclosure is made in breach of a duty of confidentiality owed by the employer to any other person;
- any action the employer or prescribed person might reasonably be expected to take as a result of a previous disclosure; and
- whether in making the disclosure to the employer the worker complied with any procedure approved by the employer.

In disclosing “exceptionally serious” breaches, i.e. where the subject of the disclosure is sufficiently serious to disclose it to persons other than detailed in paragraph 3.3, the worker will be protected as long as:

- the disclosure is made in good faith;
- the worker believes that the information disclosed and any associated allegation are substantially true;
- the disclosure is not made for personal gain;
- the matter disclosed is of an exceptionally serious nature; and
- in all the circumstances it is reasonable for the worker to make the disclosure.

## **Safeguards**

### **a) Harassment or Victimisation of Workers**

The Council is committed to good practice and high standards and wants to be supportive of workers.

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate any harassment or victimisation (including informal pressures), and will take appropriate action, including the application of the Disciplinary Procedure, to protect a worker who raises a concern or makes an allegation in good faith.

In accordance with the Public Interest Disclosure Act 1998 a worker cannot be dismissed or selected for redundancy as a result of making a disclosure. In addition an employer cannot withhold a pay rise, object to a promotion or not give training.

This does not mean that if you are already the subject of disciplinary or redundancy procedures, that those procedures will be halted as a result of Whistleblowing.

### **b) Confidentiality**

All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish.

At appropriate times, however, you may need to come forward as a witness. If whistleblowers are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for them to receive advice and support.

## c) **Anonymous Allegations**

This Code encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.

In exercising this discretion the factors to be taken into account would include the:

- seriousness of the issues raised;
- credibility of the concern or allegation; and
- likelihood of confirming them from attributable sources.

## d) **Rights and Responsibilities of Workers**

All workers are required to report any issue of concern regarding the provision of services or management of those services. In the majority of cases, this will be done through the usual line management channels.

Workers are expected to report concerns as soon they arise and avoid any unnecessary delay in doing so.

Other than raising concerns in good faith, workers are not required to 'prove' the truth of any allegation. However, a complainant will need to demonstrate that there are reasonable grounds for the concern, and will be expected to co-operate with any investigation that takes place.

When any meeting or interview is arranged, workers may, if they so wish, be accompanied by a trade union official or a workplace colleague.

## e) **Untrue Allegations**

If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. However, if you make malicious or vexatious allegations, disciplinary action may be taken against you.

## **How to Raise a Concern**

As a first step, you should normally raise concerns with your immediate line manager or their superior. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If you have any concerns about raising the issue with your line manager then you should initially approach:

- The Corporate Anti Fraud Team

Alternatively, you can approach:

- The Chief Executive;

# Agenda Item 8

- Section 151 Officer (Executive Director of Finance and Resources);
- Monitoring Officer (Head of Legal, Equality and Democratic Services);
- Internal Audit Section;

who will liaise with the Corporate Anti-Fraud Team as necessary.

Where concerns are raised with Line Management, Managers can get help or can refer such concerns to the Corporate Anti-Fraud Team. Managers should:

- listen carefully
- avoid pre-judging
- consider whether it is a Whistleblowing concern
- consider how serious and urgent the risk is
- consider whether it needs referring the Corporate Anti-Fraud Team for further investigation.
- Establish if the employee is anxious about reprisals
- Establish where the concern first arose and, where relevant, what is prompting the decision to speak up now
- Whether the information is first hand or hearsay
- Whether confidentiality is sought
- Is there anything else relevant that the employee should mention?

These issues are guidance and should not be seen as a definitive list. However the Line Manager should not investigate the concern themselves unless it can be treated as information that could improve system weaknesses or practical procedures and can be resolved easily. If this is the case, the employee should be informed.

Where confidentiality has been requested, this should be respected. Where the concern needs to be referred to the Corporate Anti-Fraud Team, this should be done without undue delay. Additionally, the employee should be asked whether he/she wants to be in direct contact with the Corporate Anti-Fraud Team or would rather that communication is done through another designated officer or the internal hotline.

Where specific enquiries need to be made in an area in which the whistleblower works, they should be forewarned so that he/she is prepared to answer questions along with everyone else.

Concerns or allegations may be raised verbally or in writing. Staff who wish to make a written report are invited to use either the form held in the Corporate Anti-Fraud Team area (within Financial Services) on the intranet or using the online referral form on the Bromsgrove District Council website (Fraud area within 'Business' tab) providing:

- the background and history of the concern (giving relevant dates); and
- the reason why you are particularly concerned about the situation.

The earlier you express the concern, the easier it is to take action.

Although you are not expected to prove the truth of your concern or allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern or allegation.

You may invite your trade union representative, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised or allegations that you have made.

Workers can obtain advice and guidance on how matters of concern may be pursued from:

- The Corporate Anti-Fraud Team
- Monitoring Officer (Head of Legal and Democratic Services);
- The Human Resources and Organisational Development section.

The Council has also introduced a telephone line for workers to report concerns. There are two options for workers:

- If you want to remain anonymous when reporting a concern, use the full external number 01527 881221; or
- If you are comfortable with your identify being known, use the short internal number on extension 1221

All calls go direct to the Council's Corporate Anti-Fraud Team for action.

## **How the Council Will Respond**

The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be investigated internally;
- be referred to the Police;
- be referred to the Council's external auditor; or
- form the subject of an independent enquiry.

In order to protect individuals, the Council and those accused of misdeed or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle that the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures will normally be referred for consideration under those procedures.

Some concerns or allegations may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

Once a concern or allegation has been received, the Council will write to you:

- acknowledging that the concern has been received;
- indicating how it proposes to deal with the matter;
- giving an estimate of how long it will take to provide a final response; and
- inform you whether any initial enquiries have been made and whether or not further investigations will take place.

The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

Where any meeting is arranged, off-site if you so wish, you can be accompanied by a trade union or professional association representative or a friend.

The Council will take steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice about the procedure.

The persons investigating the concerns will produce a written report that:

- outlines the concern / allegation;
- details the investigation process;
- gives the outcome of the investigation; and
- details recommendations where appropriate.

The Council accepts that the worker needs to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will be informed of the outcome of any investigation.

If the person who expressed the concern is not satisfied with the outcome then they have the right to take matters further as detailed below in Section 8.

Investigations will not discriminate or condone unacceptable behaviour, in relation to race, colour, nationality, national or ethnic origin, sexual orientation, gender, gender re-assignment, religion, age, disability, income group, marital status or geographical location.

## **The Responsible Officer**

The Council's Monitoring Officer (Head of Legal, Equality and Democratic Services) has overall responsibility for the maintenance and operation of this Code. The Head of Legal, Equality and Democratic Services will report as necessary on the operation of the Code, but not on individual cases, to the Council's Audit Board.

## **How the Matter Can Be Taken Further**

This Code is intended to provide you with an avenue to raise concerns within the Council and the Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the list below shows possible contact points:

- The Council's External Auditor.
- Audit Commission (Public Interest Disclosure Line 0845 052 2646).
- Trade Unions;
- Professional Bodies; or
- Police.

# Agenda Item 8

If a worker is unsure whether or how to raise a concern or wants confidential and independent advice, contact can be made with the independent charity “Public Concern at Work”:

Public Concern at Work  
Suite 301  
16 Baldwins Gardens  
London  
EC1N 7RJ

Telephone (general enquiries and helpline): 020 7404 6609  
Fax: 020 7404 6576

E-mail: [helpline@pcaw.co.uk](mailto:helpline@pcaw.co.uk).

Their lawyers can provide free confidential advice on how to raise a concern about serious malpractice at work.

If concerns are raised through Trade Unions or Professional Bodies then it is expected that the Trade Union / Professional Body representative will act in accordance with this Code and with the Public Interest Disclosure Act 1998 with regard to the information disclosed. Such a disclosure made by a worker will not be treated as grounds for disciplinary action.

If workers do take the matter outside the Council, you should take into consideration the requirements in relation to the disclosure of confidential information as set out in this Code. Additionally, workers should be aware of the relevant Acts when reporting concerns, specifically:

- Public Interest Disclosure Act 1998.
- Human Rights Act 1998.
- Data Protection 1998.
- Fraud Act 2006
- Regulation of Investigatory Powers Act 2000 (RIPA)

This page is intentionally left blank



### WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE

#### AUDIT BRIEF

#### CORPORATE FRAUD 2013/14

##### **Introduction:**

The audit of the Corporate Fraud will be carried out accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013/14 as approved by the Audit Board on 14th March 2013. The audit will be a risk based systems audit of the Corporate Fraud Bromsgrove District Council

##### **Objectives of the Audit:**

The review will assess whether the following control objectives of Corporate Fraud are being achieved:

- There are up to date policies for example Anti-Fraud and Corruption and Whistle-blowing within the Councils and a strategic overview to ensure that the opportunity for fraud and corruption is reduced to a minimum;
- The Council is promoting awareness of fraud to all staff members;
- Both Councils are keeping all policies up to date and reviewing in line with new legislation to ensure that they are fit for purpose e.g. Bribery Act 2010;
- Declaration of interests and Hospitality Registers are completed by Members and Officers with regular monitoring in place.

##### **Scope of the Audit:**

The review will be a full system audit. The review will concentrate on to the areas stated above for Corporate Fraud and will cover the Councils Corporate Fraud systems in place at the time of the audit.

The audit will not cover any reported cases of Corporate Fraud.

The Audit Commissions Protecting the Public Purse 2013 will be assessed separately within the 2013/14 Governance Audit.

##### **Risk Register Entries:**

The following entries on the corporate risk register are relevant to this review:

- COR 2: Councils' do not respond to financial constraints effectively
- COR 4: Political change/influence at Bromsgrove District Council

##### **Audit Timing and Resource:**

Page 101

# Agenda Item 8

The auditor undertaking this review will be:

Fiona Ziro, email: [fiona.ziro@redditchbc.gov.uk](mailto:fiona.ziro@redditchbc.gov.uk), Ext. 3204

The review will be supervised / managed by:

Helen Tiffney, [helen.tiffney@worcester.gov.uk](mailto:helen.tiffney@worcester.gov.uk), 01905 722 165

The proposed start date for this audit is: Monday 3<sup>rd</sup> March 2014

The number of audit days allocated to this review is: 17

## **Reporting requirements and timescales:**

Please note that the timescales below are indicative and may change as the audit progresses.

All findings and recommendations will be discussed with the client prior to being included in the draft and final reports. The draft and final reports will be distributed to Jayne Pickering (Executive Director - Finance and Recourses) and Amanda DeWarr (Head of Customer Access and Financial Support). The final reports will also be copied to Kevin Dicks; Chief Executive. The target timescale for the issue of the draft and final reports and receipt of management responses is as follows:

Issue of draft report: Thursday 27<sup>th</sup> March 2014

Receipt of management responses to draft report: Thursday 10<sup>th</sup> April 2014

Issue of final report: Thursday 17<sup>th</sup> April 2014

Where management response to the draft report has not been received 2 days before the target date for receipt Internal Audit shall send management a reminder of the target date for receipt of their response. Where management response to the draft report has not been received by the target date for receipt Internal Audit will notify the relevant Head of Service / Director that a response has not been received by the agreed deadline.

## **Client satisfaction survey:**

We value your feedback with respect to our work and will be asking you to complete a client satisfaction survey at the end of this piece of work in order to help us to ensure that there is continuous improvement in the service that we provide to Bromsgrove District Council and Redditch Borough Council.

### **Internal Audit sign off:**

Signature: Helen Tiffney  
Name: Helen Tiffney  
Position: Lead Auditor  
Date: 27<sup>th</sup> February 2014

### **Client sign off:**

Signature:  
Name:  
Position: Service Manager / Head of Service / Director  
Date:

## AUDIT BOARD

Date: 20<sup>th</sup> MARCH 2014

### THE INTERNAL AUDIT MONITORING REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.

Relevant Portfolio Holder	Councillor M. J. A. Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan, Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

#### 1. SUMMARY OF PROPOSALS

##### 1.1 To present:

- the monitoring report of internal audit work and performance as at 28<sup>th</sup> February 2014;

#### 2. RECOMMENDATIONS

- 2.1 The Board is asked to RESOLVE that the report be noted.

#### 3. KEY ISSUES

##### Financial Implications

- 3.1 There are no direct financial implications arising out of this report.

##### Legal Implications

- 3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

##### Service / Operational Implications

- 3.3 The involvement of Members in progress monitoring is considered to be an important facet of good corporate governance, contributing to the internal control assurance given in the Council’s Annual Governance Statement.

**AUDIT BOARD**

**Date: 20<sup>th</sup> MARCH 2014**

This section of the report provides commentary on Internal Audit's performance for the period 01<sup>st</sup> April 2013 to 28<sup>th</sup> February 2014 against the performance indicators agreed for the service. Also included is the reporting of 2012-2013 audits for information.

**AUDIT REPORTS ISSUED/COMPLETED SINCE THE LAST REPORT:**

**2013/14 AUDITS COMPLETED AS AT 28<sup>th</sup> February 2014**

**Main Ledger**

The review was a full system audit concentrating on the Main Ledger system. The review considered whether controls were in place to ensure the quality (validity, accuracy, completeness) and timeliness of the input to the ledger, (for example from the feeder systems, procurement cards and direct debits), the timely locating/correcting of errors and omissions within the system, sufficient, relevant, reliable information is available to budget holders, budget holders were managing, monitoring and controlling their budgets effectively in accordance with approved procedures, all budget journals and virements are controlled effectively in accordance with agreed procedures and the Council's Financial Regulations, bank reconciliations are undertaken on a regular basis and any balancing items investigated and dealt with promptly, input and output tax is controlled effectively, and, VAT returns have been submitted in accordance with HMRC requirements in a timely manner. The review found a sound system of internal control in place but our testing has identified an isolated weakness in the budget monitoring reports. Monthly budget reports are seen to be effective, reliable and relevant to the monitoring process but need streamlining and simplifying. It has been identified that these reports need to be revised although they are deemed to be good for purpose. Meetings with accountants are carried out at least monthly or more frequently as required and accountants have a sound working knowledge of the budgets that have been designated to them to look after on behalf of the budget holders. However, there are areas for example, the retention of journals on file, where controls could be strengthened. There were no 'high' or 'medium' priority recommendations reported in this audit.

Assurance: Significant

Final Report issued: 19th February 2014

**Debtors**

The review was a full system audit concentrating on the debtors system from the point where the invoice is raised to entry into the main ledger. The audit did not look at the cash collection procedures as this will be covered in a separate audit. The review found there is generally a sound system of internal control in place

## AUDIT BOARD

Date: 20<sup>th</sup> MARCH 2014

designed to meet the organisation's objectives. Internal audit testing identified that access rights for the Agresso system are not reviewed on a regular basis to ensure that staff members who use the system have the appropriate access rights. However the debtors' process is running effectively and efficiently in the areas tested from the point where the invoice is raised to entry onto the council's main ledger. Outstanding debts from various departments in the Council are being monitored on a weekly basis by the Debtors team and the position of any outstanding balances is being updated within in the Agresso system. There were no 'high' or 'medium' priority recommendations reported in this audit.

Assurance: Significant  
Final Report issued: 27<sup>th</sup> February 2014

### Summary of Assurance Levels:

<b>Audit</b>	<b>Assurance Level</b>
<b>2013/2014</b>	
Main Ledger	Significant
Debtors	Significant

### 2012/13 AUDITS NEARING COMPLETION 28<sup>th</sup> February 2014

#### Shared Service ~ (Shared Service/Transformation Savings and Clarity of Reporting to the Members)

The audit of the Corporate Governance (Shared Service/Transformation Savings and Clarity of Reporting to the Members) was requested by the members of the Shared Services Committee to review the accuracy of the savings and the clarity of the information provided to the committee. It was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2012/13.

This audit had reached draft report stage but in discussion the s151 Officer requested further work to be undertaken in this area. The audit, therefore, is progressing and will be reported in the near future.

As the above audit remains in progress an assurance level will be allocated on completion.

**AUDIT BOARD**Date: 20<sup>th</sup> MARCH 20142013/14 AUDITS IN PROGRESS AS AT 28<sup>th</sup> February 2014Creditors (currently at draft report stage awaiting management response)

The review is a full system audit concentrating on the Creditor System including areas of segregation, supplier details, reconciliations, system access and requirements of the HMRC's Real Time information reporting are met in relation to any payments made to sub-contractors. The audit will not cover the procurement process.

Housing and Council Tax Benefits (currently at draft report stage awaiting management response)

The review is a full system audit concentrating on areas including overpayments occurring as a result of Local Authority error, emergency loan payments, fraud identification, assessment and recovery, and, reconciliations of Benefits including Council Tax and general ledger entries.

NNDR (currently at draft report stage awaiting management response)

The review is a full system audit concentrating on areas including empty property monitoring and billing, reconciliations from the NNDR system to feeder systems (i.e. Cash Receipting, Benefits system and Financial ledger), effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, accounts with credit balances are regularly reviewed and appropriate action taken, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, system access is appropriate.

Council Tax (currently at draft report stage awaiting management response)

The review is a full system audit concentrating on areas including regular reconciliations from Council Tax system to feeder systems (i.e. Cash Receipting, Benefits system and Financial ledger), empty properties are monitored and billed promptly, accounts with credit balances are regularly reviewed and appropriate action taken, effective procedures are in place to ensure all new build is monitored and brought into valuation at the earliest possible date, prompt recovery action is taken in accordance with agreed recovery timetable and procedures, and, systems access is appropriate.

**AUDIT BOARD**Date: 20<sup>th</sup> MARCH 2014

Shared Service(Client)(currently at draft report Stage awaiting management response)

The review is a full system audit concentrating on the Shared Services – Worcestershire Regulatory Services Management process from the host authority's perspective. The audit did not cover the individual services undertaken for and on behalf of other clients of Worcestershire Regulatory Services. The review assessed whether control objectives of the Shared Services – Worcestershire Regulatory Services Management process are being achieved including whether budget holder responsibilities have been defined for each budget area, budget monitoring practices occur in a regular and timely manner, financial performance targets have been defined in the service business case, (including, the identification and monitoring of efficiency savings, cost reductions and income generation), financial savings identified by partner Councils are assessed for their impact on service delivery, non-financial performance targets have been formally defined and built into the service business case to critically evaluate service delivery, and, financial reporting practices have been fully defined and notified to all necessary personnel, including the reporting of service recharges and efficiency savings to be achieved. The review also confirmed whether there are appropriate procedures in place to ensure reporting of financial information to the Worcestershire Shared Services Joint Committee and the Worcestershire Regulatory Services Management Board is correct, and represents a fair view of the current financial position of the service.

S106's(currently progressing through fieldwork stage)

The review is a full system audit concentrating on S106 Agreements from the point the agreement is signed and will cover the S106 Agreements in place at the time of the audit. The review will not cover the reasoning behind or procedures undertaken to obtain agreement to a S106 Agreements.

ICT(currently progressing through fieldwork stage)

The review is a full systems audit concentrating on the controls in operation by IT Services to provide measures of success including ICT helpdesk functionality since the merging of the service for Redditch Borough Council and Bromsgrove District Council. Also included is the control around the starters and leavers from the point where network access is requested, and, whether there is effective and efficient control around the disposal of IT equipment. The audit will not cover the starters and leavers procedures followed by Human Resources, or, the controls around the acquisition of IT equipment as this is covered under Procurement.

**AUDIT BOARD**Date: 20<sup>th</sup> MARCH 2014

---

Strategic Housing(currently progressing through fieldwork stage)

The review is a critical appraisal concentrating on the Choice Based Letting process as it is provided, in partnership, by Bromsgrove District Council. The appraisal includes consideration of the plans to develop housing allocation processes to ensure value for money and financial efficiencies to best meet the needs of local residents. This review will not give an assurance opinion over the control environment due to its nature as a critical appraisal. The review is also critically reviewing control objectives including Choice Based Lettings, administered through the Home Choice Plus Partnership to ensure that are fully meeting the needs of Bromsgrove District Council's local community and is providing value for money. Also, it is assessing whether there are fit for purpose alternative processes for addressing the housing allocation needs of local residents being fully developed, including consideration of good practice, any alternate processes developed are fully considered in order to determine if Choice Based Letting and the Partnership model is the most appropriate, cost effective and efficient method for allocating housing provision, and, the outcome of any scrutiny of local social housing providers undertaken by the Homes and Communities Agency (HCA) is utilised by the council to ensure the quality of provision in the council's area.

Risk Management(currently progressing through fieldwork stage)

The review is a full system audit concentrating on areas including the 4Risk Management System, Corporate and Service Risk Registers, and, the minutes for Risk Management meetings. The audit work will not cover the scoring of individual risk register entries. The review is considering control objectives to ensure there is an appropriate Risk Management framework in place, including all necessary policies and procedures and an appropriate system for managing the process. Also included is whether there are regular reviews to identify new risks and to assess the changing risk environment for those already defined, whether mitigation activities have been determined and successfully implemented where appropriate, the minimisation of impact and likelihood of risk occurrence, and, managing and assessing of risks is embedded throughout all Services with the risk management process used as a tool for informed decision making.

Depot and Stores (currently progressing through fieldwork stage)

The review is a full system audit concentrating on the Small Tools and Plant system. It is reviewing control objectives of the Small Tools and Plant systems to ensure that Inventories are maintained for all small tools and plant, all small tools and plant is purchased and disposed of in accordance with the Council's policies and financial regulations, servicing and maintenance records are kept for all small tools and plant where appropriate, stock including fuel is secure,



**AUDIT BOARD**Date: 20<sup>th</sup> MARCH 2014

controlled and can be accounted for, and, adequate insurance coverage is maintained for all plant and machinery.

Regulatory Services(currently progressing through fieldwork stage)

The review is a full system audit concentrating on Hackney Carriage / Private Hire Taxi Licencing processes and enforcement activity of Worcestershire Regulatory Services Shared Service. The audit did not cover any other types of licencing carried out by Worcestershire Regulatory Services as a shared service, for example Alcohol Licences etc. The review considered whether control objectives of Regulatory Services (Hackney Carriage//Private Hire Taxi Licencing) were being achieved including areas such as Hackney Carriage and Private Hire Taxi new application licences are only being granted with the appropriate supporting evidence and payment as well as being in line with legislation and each council's agreed Policy. Also, renewal application licences are only being granted with the appropriate supporting evidence and payment and are in line with legislation and each council's agreed Policy, a process is in place to ensure licences are renewed at the appropriate time, and, monitoring and enforcement arrangements are in place to ensure the public is protected.

Corporate Governance (Protecting the Public Purse) (currently progressing through fieldwork stage stage)

The review is a full review concentrating on the policies and procedures in place. The review will not give an assurance level or provide recommendations but will provide evidence of how the Council is or is not conforming to Protecting the Public Purse 2013 as well as assessing policies and procedures in relation to the Audit Commissions Protecting the Public Purse 2014.

Transformation ~Corporate Fraud(currently progressing through fieldwork stage)

The review is a full system audit concentrating on areas for Corporate Fraud including policies and the strategic overview to reduce opportunity for fraud and corruption, promote awareness of potential fraud to all staff members, how the organisation manages it's policies to include new legislation, and, declaration registers are in place and monitored.

### 3.4 AUDIT DAYS

Appendix 1 shows that progress continues to be made towards delivering the Internal Audit Plan and achieving the targets set for the year. As at 28<sup>th</sup> February 2014 a total of 222days had been delivered against a target of 300 days for 2013/14.

## **AUDIT BOARD**

**Date: 20<sup>th</sup> MARCH 2014**

Appendix 2 shows the performance indicators for the service. These indicators were agreed by the Board on the 14th March 2013 for 2013/14.

Appendix 3 shows a summary of the 'high' and 'medium' priority recommendations for those audits that have been completed and final reports issued.

Appendix 4 provides the Board with an analysis of audit report 'Follow Ups' that have been undertaken to monitor audit recommendation implementation progress by management.

### **3.5 OTHER KEY AUDIT WORK**

Much internal audit work is carried out "behind the scenes" but is not always the subject of a formal report. Productive audit time is accurately recorded against the service or function as appropriate. Examples include:

- Governance for example assisting with the Annual Government Statement
- Risk management
- Transformation review providing support as a critical review
- Dissemination of information regarding potential fraud cases likely to affect the Council
- Drawing managers' attention to specific audit or risk issues
- Audit advice and commentary
- Internal audit recommendations: follow up review to analyse progress
- Day to day audit support and advice for example control implications, etc.
- Networking with audit colleagues in other Councils on professional points of practice
- National Fraud Initiative.
- Investigations

### **Recruitment**

- 3.6 Due to natural turnover WIASS currently has one establishment post vacant; a reduction from the two previously reported. Close monitoring of resource is continuing using current management information to assist the delivery of the Partner's plans in relation to forecasted demand for the remainder of the year. WIASS is committed to delivering all audits as indicated in the 2013/14 plan for Bromsgrove District Council and will continue to take active steps to achieve this using agency staff where required. The current projection is that of no extra cost to Bromsgrove District Council.

**AUDIT BOARD**Date: 20<sup>th</sup> MARCH 2014**Customer / Equalities and Diversity Implications**

3.7 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

The main risks associated with the details included in this report are:

- failure to complete the planned programme of audit work within the financial year; and,
- the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

**5. APPENDICES**

- Appendix 1 ~ Internal Audit Plan delivery 2013/14  
Appendix 2 ~ Key performance indicators 2013/14  
Appendix 3 ~ 'High' and 'Medium' priority recommendations summary with finalised reports  
Appendix 4 ~ Follow up summary

**6. BACKGROUND PAPERS**

Individual Internal Audit reports.

**7. KEY**

N/a

**AUTHOR OF REPORT**

Name: Andy Bromage  
Service Manager - Worcestershire Internal Audit Shared Service  
E Mail: andy.bromage@worcester.gov.uk  
Tel: 01905 722051

## AUDIT BOARD

Date: 20<sup>th</sup> MARCH 2014

### APPENDIX 1

**Delivery against Internal Audit Plan for 2013/14**  
**1<sup>st</sup> April 2013 to 28<sup>th</sup> February 2014**

Audit Area	2013/14 PLANNED DAYS	DAYS PLANNED TO THE END OF QUARTER 3(31 <sup>st</sup> March 2014)	DAYS USED TO 28/02/14
Core Financial Systems (*Note 1)	87	87	84
Corporate Audits	68	68	29
Other Systems Audits (*Note 2)	109	109	75
<b>TOTAL</b>	<b>264</b>	<b>264</b>	<b>188</b>
Audit Management Meetings	15	15	14
Corporate Meetings / Reading	5	5	4
Annual Plans and Reports	8	8	7
Audit Board Support	8	8	6
Other chargeable	0	0	3
<b>TOTAL</b>	<b>36</b>	<b>36</b>	<b>34</b>
<b>TOTAL</b>	<b>300</b>	<b>300</b>	<b>222</b>

**\*Note 1**

Core Financial Systems are audited in quarters 3 and 4 in order to maximise the assurance provided for Annual Governance Statement and Statement of Accounts. We planned to undertake this work in Q3 this year.

**\*Note 2**

A number of the budgets in this section are 'on demand' e.g. consultancy, investigations so the requirements can fluctuate depending on demand.

**AUDIT BOARD**

Date: 20<sup>th</sup> MARCH 2014

**KEY PERFORMANCE INDICATORS 2013/14**

**APPENDIX 2**

The indicators provide the Board with an overall assessment in respect of reports delivered by the Internal Audit Shared Service as well as Corporate factors including the number of 'high' priority recommendations which may lead to an added overall corporate risk factor perspective.

	<b>KPI</b>	<b>Trend requirement</b>	<b>2012/13 Year End Position</b>	<b>2013/14 Position (as at February 2014)</b>	<b>Frequency of Reporting</b>
1	No. of 'high' priority recommendations	Downward	8	1	Quarterly
2	No. of moderate or below assurances	Downward	3	0	Quarterly
3	No. of customers who assess the service as 'excellent'	Upward	2	3	Quarterly
4	No. of audits achieved during the year	Per target	Target = 21 Delivered = 20 (1x ongoing)	Target = 15(minimum) Delivered =6 (with a further 5 in draft)	Quarterly

WIASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 20<sup>th</sup> MARCH 2014

**APPENDIX 3**

**Definition of Audit Opinion Levels of Assurance**

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet its objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

**Date: 20<sup>th</sup> MARCH 2014**

---

**Definition of Priority of Recommendations**

<b>Priority</b>	<b>Definition</b>
<b>H</b>	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.  Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
<b>M</b>	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
<b>L</b>	Control weakness that has a low impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

**‘High’ & ‘Medium’ Priority Recommendations Summary**

There were no ‘high’ or ‘medium’ priority recommendations to report on this occasion to the Audit Board for finalised audits. The finalised reports issued are included below for information.



## Worcestershire Internal Audit Shared Service



### Final Internal Audit Report

### Debtor 2013/14

27<sup>th</sup> February 2014

**Distribution:**

Kevin Dicks	:	Chief Executive Officer
Jayne Pickering	:	Executive Director (Finance and Resources)
Amanda De Warr	:	Head of Customer Access and Financial Support
David Riley	:	Revenue Services Manager
Sam Morgan	:	Financial Services Manager
Jean Howard	:	Income and Recovery Team Leader



## **AUDIT BOARD**

**Date: 20<sup>th</sup> MARCH 2014**

---

### **1 Introduction**

- The audit of the Debtors system was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013/14 as approved by the Audit Board on 14th March 2013. The audit was a risk based systems audit of the Debtors system as operated by Bromsgrove District Council.
- Bromsgrove District Council Debtors team are currently operating as a Shared Service with Redditch Borough Council, reporting to the Revenues Service manager. Although the Councils are working in partnership, the systems used to process their relevant income are different. Bromsgrove District Council currently uses the Agresso system.
- This review was undertaken by Fiona Ziro in October and November 2013.

### **2. Audit Scope and Objectives**

- The review assessed whether the following control objectives of the Debtors system are being achieved:
  - Audit findings from 2012/13 are followed up
  - The system is operated in accordance with the Council's Financial Regulations and agreed procedures.
  - Debtors invoice requests are raised onto the Agresso system correctly and in a timely manner.
  - All accounts raised and payments made to the Council are in a timely manner
  - Cancellation and Write off of debts are controlled independently and carried out in accordance with the Council's Financial Regulations and justifiable reasons provided.
  - There is an effective debt recovery system in operation.
  - Inhibits/ recovery suppressions are controlled and monitored independently.
  - All accounts and payment details are recorded correctly and accurately in the main ledger and regular reconciliations are undertaken
  - Basic IT Controls are in place.

**AUDIT BOARD**

**Date: 20<sup>th</sup> MARCH 2014**

---

- The review was a full systems audit that concentrated on the debtors system as operated by Bromsgrove District Council at the time of the audit, from the point where the invoice was raised to entry onto the main ledger. The audit covered the period from the 1st of April 2013 to 30<sup>th</sup> of October 2013.
- The audit did not look at the Cash collection procedures.

**3. Audit Opinion and Executive Summary**

From the audit work carried out we have given an opinion of **significant assurance** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

We have given an opinion of **significant assurance** in this area because generally there is a sound system of internal control in place designed to meet the organisation’s objectives. Internal audit testing identified that access rights for the Agresso system are not reviewed on a regular basis to ensure that staff members who use the system have the appropriate access rights. However the debtors’ process is running effectively and efficiently in the areas tested from the point where the invoice is raised to entry onto the council’s main ledger. Outstanding debts from various departments in the Council are being monitored on a weekly basis by the Debtors team and the position of any outstanding balances is being update within in the Agresso system.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

**BROMSGROVE DISTRICT COUNCIL**

**AUDIT BOARD**

Date: 20<sup>th</sup> MARCH 2014

---

<b>Priority</b>	<b>Number of Recommendations</b>
<b>High</b>	<b>0</b>
<b>Medium</b>	<b>0</b>
<b>Low</b>	<b>1</b>

## AUDIT BOARD

---

### 4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Issues brought forward from previous audit</b>					
No issues have been brought forward from the previous audits.					
<b>New matters arising</b>					
1	Low	<p><b><u>System Access Review</u></b></p> <p>A system access review has recently been undertaken for the Agresso system although there wasn't sufficient evidence to support this.</p>	<p>Risk of unauthorised access to the Council's Debtors' financial systems leading to potential fraudulent activities, data corruption and non-compliance to the Data Protection Act.</p>	<p>Senior Management need to ensure that regular reviews of access rights for the Debtors' Financial system are performed half yearly as a minimum, to confirm they are still appropriate and with sufficient evidence to support this.</p>	<p>Agreed.</p> <p><b>Responsible Manager:</b> Financial Services Manager.</p> <p><b>Implementation date:</b> 1<sup>st</sup> July 2014.</p>

# AUDIT BOARD

---

## APPENDIX A

### Definition of Audit Opinion Levels of Assurance

Opinion	Definition
<b>Full Assurance</b>	The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively. No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.
<b>Significant Assurance</b>	There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk. Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
<b>Moderate Assurance</b>	The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
<b>Limited Assurance</b>	Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.
<b>No Assurance</b>	No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed. Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.

# AUDIT BOARD

---

## APPENDIX B

### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>H</b>	<p>Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.</p> <p>Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.</p>
<b>M</b>	<p>Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.</p>
<b>L</b>	<p>Control weakness that has a low impact upon the achievement of key system, function or process objectives.</p> <p>Implementation of the agreed recommendation is desirable as it will improve overall control within the system.</p>

## AUDIT BOARD

---

# Worcestershire Internal Audit Shared Service



## Final Internal Audit Report

### Main Ledger 2013~14

19th February, 2014

#### **Distribution:**

To: Kevin Dicks, Chief Executive  
Jayne Pickering, Director Finance and Resources (S151 Officer)  
Sam Morgan, Financial Services Manager

#### 1. Introduction





## **AUDIT BOARD**

---

- 1.1. The audit of the Main Ledger was carried out in accordance with the Worcestershire Internal Audit Shared Service Audit Plan for Bromsgrove District Council for 2013~14 as approved by the Audit Board on 14th March 2013. The audit was a risk based systems audit of the Main Ledger as operated by Bromsgrove District Council.
- 1.2. The amount of gross expenditure for 2012/13 as shown on the audited accounts is £42,691,000 against a gross income of £30,135,000. The main ledger controls all the income and expenditure for the authority and therefore, it is material.
- 1.3. Bromsgrove District Council uses the 'Agresso' financial system to record all transactions that pass through the main ledger.
- 1.4 This audit was undertaken by Julie Lloyd during the months of December and January 2013/14.

### **2. Audit Scope and Objectives**

- 2.1. The review assessed whether the following control objectives of the Main Ledger system were being achieved:
  - Audit findings from 2012/13 were followed up and actions to date documented;
  - Controls were in place to ensure the quality (validity, accuracy, completeness) and timeliness of the input to the ledger, for example from the feeder systems, procurement cards and direct debits.
  - Controls were in place to ensure the timely locating/correcting of errors and omissions within the system
  - Sufficient, relevant, reliable information was available to budget holders; budget holders were managing, monitoring and controlling their budgets effectively in accordance with approved procedures.
  - All budget journals and virements were controlled effectively in accordance with agreed procedures and the Council's Financial Regulations.
  - Bank reconciliations were undertaken on a regular basis and any balancing items investigated and dealt with promptly.
  - Input and Output tax was controlled effectively and VAT returns were submitted in accordance with HMRC requirements in a timely manner.

## AUDIT BOARD

---

2.2. The review was a full system audit that concentrated on the Main Ledger system as operated by Bromsgrove District Council at the time of the audit. It covered the period from 1<sup>st</sup> April 2013 to 31<sup>st</sup> December 2013.

### 3. Audit Opinion and Executive Summary

From the audit work carried out we have given an opinion of **significant** over the control environment in this area. The level of assurance has been calculated using a methodology that is applied to all Worcestershire Internal Audit Shared Service audits and has been defined in the “Definition of Audit Opinion Levels of Assurance” table in Appendix A. However, it should be noted that statements of assurance levels are based on information provided at the time of the audit in respect of the specific audit objectives. Where there is no specific reference to an audit objective in the findings and recommendations table at point 4 below, recipients of this report can take reassurance that a reasonable level of assurance was determined during audit testing for those objectives.

We have given an opinion of **significant** in this area because there continues to be a sound system of internal control in place but our testing has identified an isolated weakness.

Monthly budget reports are seen to be effective, reliable and relevant to the monitoring process but need streamlining and simplifying. It has been identified that these reports need to be revised although they are deemed to be good for purpose. Meetings with accountants are carried out at least monthly or more frequently as required and accountants have a sound working knowledge of the budgets that have been designated to them to look after on behalf of the budget holders. However, there are areas for example, the retention of journals on file, where controls could be strengthened.

The recommendations identified during the audit have been prioritised according to their significance / severity in the table below. We have used this prioritisation to inform our audit opinion. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

## AUDIT BOARD

---

Priority	Number of Recommendations
High	0
Medium	0
Low	1

#### 4. Detailed Findings and Recommendations

The issues identified during the audit have been set out in the table below along with the related risks, recommendations, management responses and action plan. The issues identified have been prioritised according to their significance / severity. The definitions for high, medium and low priority are set out in the “Definition of Priority of Recommendations” table in Appendix B.

Ref.	Priority	Finding	Risk	Recommendation	Management Response and Action Plan
<b>Issues brought forward from previous audit</b>					
All issues from previous audits have been addressed					
<b>New matters arising</b>					
1	Low	3 out of 9 (33%) of the journals tested did not have the relevant signed copy of the transaction document on file.	Inefficient working practises.	Journals need to be evidenced by the appropriate paperwork which must be retained in the file at all times.	Agreed  <b>Responsible Manager:</b> Financial Services Manager  <b>Implementation date:</b> 01/03/2014

# AUDIT BOARD

---

## APPENDIX A

### Definition of Audit Opinion Levels of Assurance

<b>Opinion</b>	<b>Definition</b>
<b>Full Assurance</b>	<p>The system of internal control meets the organisation's objectives; all of the expected system controls tested are in place and are operating effectively.</p> <p>No specific follow up review will be undertaken; follow up will be undertaken as part of the next planned review of the system.</p>
<b>Significant Assurance</b>	<p>There is a generally sound system of internal control in place designed to meet the organisation's objectives. However isolated weaknesses in the design of controls or inconsistent application of controls in a small number of areas put the achievement of a limited number of system objectives at risk.</p> <p>Follow up of medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Moderate Assurance</b>	<p>The system of control is generally sound however some of the expected controls are not in place and / or are not operating effectively therefore increasing the risk that the system will not meet it's objectives. Assurance can only be given over the effectiveness of controls within some areas of the system.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>Limited Assurance</b>	<p>Weaknesses in the design and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in many of the areas reviewed. Assurance is limited to the few areas of the system where controls are in place and are operating effectively.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>
<b>No Assurance</b>	<p>No assurance can be given on the system of internal control as significant weaknesses in the design and / or operation of key controls could result or have resulted in failure to achieve the organisation's objectives in the area reviewed.</p> <p>Follow up of high and medium priority recommendations only will be undertaken after 6 months; follow up of low priority recommendations will be undertaken as part of the next planned review of the system.</p>

# AUDIT BOARD

---

## APPENDIX B

### Definition of Priority of Recommendations

<b>Priority</b>	<b>Definition</b>
<b>H</b>	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives.  Immediate implementation of the agreed recommendation is essential in order to provide satisfactory control of the serious risk(s) the system is exposed to.
<b>M</b>	Control weakness that has or is likely to have a medium impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation within 3 to 6 months is important in order to provide satisfactory control of the risk(s) the system is exposed to.
<b>L</b>	Control weakness that has a low impact upon the achievement of key system, function or process objectives.  Implementation of the agreed recommendation is desirable as it will improve overall control within the system.

## **AUDIT BOARD**

---

### **APPENDIX 4**

#### **Follow Up**

##### **Planned Follow Ups:**

In order to continue to monitor progress of implementation, 'follow up' in respect of audit reports is logged. The table provides an indication of the action taken against those audits and whether further follow up is planned. Commentary is provided on those audits that have already been followed up and audits in the process of being followed up to the end of February 2014. Exceptions will be reported to the Committee.

For some audits undertaken each year follow-ups may not be necessary as these may be undertaken as part of the full audit. Other audits may not be time critical therefore will be prioritised as part of the overall work load.

Follow up in connection with the core financials is undertaken as part of the routine audits that are performed during quarter 3.

## AUDIT BOARD

<b>Audit</b>	<b><u>Date Final Audit Report Issued</u></b>	<b><u>Responsible Officer</u></b>	<b><u>1st Follow up</u></b>	<b><u>2nd</u></b>	<b><u>3rd</u></b>
			High and Medium Priorities 6mths after final report issued as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed	High and Medium Priorities still outstanding 3mths after previous follow up as long as implementation date has passed
2012-13 Audits					
Shared Services	Draft report stage	Executive Director (Finance & Corporate Resources)	Extended scope ~ agreed and being delivered		
Governance inc Procurement	20th May 2013	Financial Services Manager	No High priority recommendations. Medium Priority recommendations will be followed up in April 2014		
Markets	21st March 2013	Head of Planning Services	There were 3 high priority recommendations and 3 medium priority recommendations. The 3 high priority recommendations have seen systems implemented to minimise the risk to the Council. There is a plan to review this area in April 2014 to ascertain the continuing progress made with the implementation of all the recommendations.		

BROMSGROVE DISTRICT COUNCIL

## AUDIT BOARD

Street Scene inc abandoned vehicles, fly tipping, etc.	7th January 2013	Head of Environmental Services	No High priority recommendations. Medium Priority recommendations will be followed up in April 2014		
Cemeteries	26th April 2013	Head of Environmental Services	1 High Priority recommendation - Followed up February 2014 and has been implemented. Moderate priority recommendations will be followed up in April 2014		
Parks & Open Spaces (Sanders Park)	18th March 2013	Capital Project & Greenspace Manager	No High priority recommendations. Medium Priority recommendations will be followed up in April 2014		
Regulatory Service/Environmental Health	2 <sup>nd</sup> August 2013	Regulatory Services Shared Service Manager	There were 3 high priority recommendations and 1 medium. There is an annual audit due to the risk associated with this area of operation. On going monitoring continues to take place. Of the 3 high priority recommendations 1 has been satisfied and 2 are in progress. Work on the medium priority recommendation is planned for July 2014.		
2013-14 Audits					
Building Control	29th October 2013	Building Control Manager	<b>Apr-14</b>		
BURT - Community Transport	10th October 2013	Acting Head of Community Services	<b>Apr-14</b>		



## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

Date: 20<sup>th</sup>MARCH2014

#### **THE 2014/15 INTERNAL AUDIT PLAN REPORT OF THE SERVICE MANAGER OF THE WORCESTERSHIRE INTERNAL AUDIT SHARED SERVICE.**

Relevant Portfolio Holder	Councillor M. J. A. Webb
Portfolio Holder Consulted	Yes
Relevant Head of Service	Sam Morgan Financial Services Manager
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non-Key Decision

### **1. SUMMARY OF PROPOSALS**

#### 1.1 To present:

- the Bromsgrove District Council Internal Audit Operational Plan for 2014/15
- the key performance indicators for the Worcestershire Internal Audit Shared Service for 2014/15

### **2. RECOMMENDATIONS**

2.1 **The Board is asked to approve the 2014-15 Audit Plan**

2.2 **The Board is asked to approve the Key Performance indicators.**

### **3. KEY ISSUES**

#### **Financial Implications**

3.1 There are no direct financial implications arising out of this report.

#### **Legal Implications**

3.2 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2011 to “undertake an adequate and effective internal audit of its

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

Date: 20<sup>th</sup>MARCH2014

accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.

To aid compliance with the regulation, the Institute of Internal Auditors Public Sector Internal Audit Standards 2013 details that “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”.

#### **Service / Operational Implications**

##### Internal Audit Aims and Objectives

3.3 The aims and objectives of the Worcestershire Internal Audit Shared Service are to:

- examine, evaluate and report on the adequacy and effectiveness of internal control and risk management across the council and recommend arrangements to address weaknesses as appropriate;
- examine, evaluate and report on arrangements to ensure compliance with legislation and the council's objectives, policies and procedures;
- examine, evaluate and report on procedures to check that the council's assets and interests are adequately protected and effectively managed;
- undertake independent investigations into allegations of fraud and irregularity in accordance with council policies and procedures and relevant legislation; and
- advise upon the control and risk implications of new systems or other organisation changes e.g. transformation.

##### Formulation of Annual Plan

The Internal Audit Plan for 2014/15, which is included at Appendix 1, is a risk based plan which takes into account the adequacy of the council's risk management, performance management and other assurance processes. It has been based upon the risk priorities, dialogue with the s151 Officer and Heads of Service as well as an independent risk assessment of the audit universe by Internal Audit. An outline audit plan was also brought before the Audit Board for consideration. The Internal Audit Plan for 2014/15 has been agreed with the council's section 151 officer.

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

Date: 20<sup>th</sup>MARCH2014

---

By bringing a provisional plan of work before the Audit Board in December 2013 it allowed Members to have a positive input into the audit work programme for 2014/15 and make suggestions as to where they feel audit resources may be required under to direction of the s151 Officer. As with all plans it may be subject to review and update as the year progresses in consultation with the s151 Officer.

We recognise there are other review functions providing other sources of assurance (both internally and externally) over aspects of the Council's operations. Where possible we will seek to place reliance on such work thus reducing the internal audit coverage as required.

To try to reduce duplication of effort we understand the importance of working with the External Auditors. The audit plan is shared with the external auditors for information.

#### Resource Allocation

The Internal Audit Plan for 2014/15 has been based upon a resource allocation of 300 chargeable days, a resource allocation which has been agreed with the council's s151 officer. The Service Manager of the Worcestershire Internal Audit Shared Service is confident that, with this resource allocation, he can provide management, external audit and those charged with governance with the assurances and coverage that they require over the system of internal control, annual governance statement and statement of accounts. The 300 day allocation is based on transactional type system audits and remains the same as 2013/14.

The Internal Audit Plan for 2014/15 is set out at Appendix 1.

#### Monitoring and reporting of performance against the Plan

Operational progress against the Internal Audit Plan for 2014/15 will be closely monitored by the Service Manager of the Worcestershire Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group (which comprises the s151 officers from partner organisations), and, to the Audit Board on a quarterly basis.

The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of key performance indicators which have been

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

Date: 20<sup>th</sup>MARCH2014

developed for the service. These have been agreed with the council's s151 officer and are included at Appendix 2.

#### **Customer / Equalities and Diversity Implications**

There are no implications arising out of this report.

#### **4. RISK MANAGEMENT**

The main risks associated with the details included in this report are:

failure to complete the planned programme of audit work within the financial year;  
and,

the continuous provision of an internal audit service is not maintained.

These risks are being managed via the 4Risk risk management system within the Finance and Resources risk area.

#### **5. APPENDICES**

Appendix 1 ~ Outline Internal Audit Plan 2014/15  
Appendix 2 ~ Key performance indicators 2014/15

#### **6. BACKGROUND PAPERS**

None

#### **7. KEY**

N/a

#### **AUTHOR OF REPORT**

Name: Andy Bromage  
Service Manager - Worcestershire Internal Audit Shared Service  
E Mail: andy.bromage@worcester.gov.uk  
Tel: 01905 722051

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

Date: 20<sup>th</sup>MARCH2014

#### APPENDIX 1

#### Programme of Work for 2014/15

Audit Area	Source	Planned days 2014/15	Planned days 2013/14	Difference = + or -
<b>A – CHARGEABLE AND PRODUCTIVE</b>				
<b>Core Financial Systems</b>				
Benefits	Risk assessment score 36	15	15	0
NDR	Risk assessment score 34	12	12	0
Council Tax	Risk assessment score 33	12	12	0
Cash, General Ledger, Budget Control & Bank Reconciliations	Risk assessment score 33	17	17	0
Treasury Management	Risk assessment score 28	7	7	0
Creditors	Risk assessment score 28	10	10	0
Debtors	Risk assessment score 28	7	7	0
Asset Management	Risk assessment score 24	7	7	0
		<b>87</b>	<b>87</b>	0
<b>Corporate</b>				0
Shared Service Delivery (Client)	Risk assessment score 35	12	12	0
ICT	Risk assessment score 34	14	14	0
Corporate Governance (Health & Safety, Media & Comm's, Performance Indicators & data quality )	Risk assessment score 30	10	10	0
Risk Management	Risk assessment score 28	15	15	0
s106s	Risk assessment score 29	0	10	-10
Transformation (Critical Review)	Section 151 request	7	7	0
		<b>58</b>	<b>68</b>	-10

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

Date: 20<sup>th</sup>MARCH2014

<b>Other Systems Audits</b>				0
2014/15 audits				
Waste Collection	Risk assessment score 35	12	0	12
Elections including finances	Risk assessment score 30	8	0	8
DFG's	Risk assessment score 27	10	0	10
Communications & Media	Risk assessment score 27	8	0	8
Regulatory Services	Risk assessment score 27	15	15	0
Equality & Diversity	Risk assessment score 23	7	0	7
Performance Indicators and Data Quality	Risk assessment score 21	10	0	10
		<b>70</b>	<b>15</b>	55
2013/14 audits (for information / balancing purposes)				
Environmental Enforcement	Risk assessment score 33	0	8	-8
Depot and Stores	Risk assessment score 32	0	10	-10
Development & Building Control	Risk assessment score 29	0	8	-8
Regulatory Services	Risk assessment score 28	0	15	-15
Land Charges	Risk assessment score 28	0	8	-8
BURT Community Transport	Risk assessment score 28	0	7	-7
Strategic Housing	Risk assessment score 27	0	8	-8
Completion of Prior Year's work	N/A	10	10	0
Statement of Internal Control	N/A	3	3	0
Follow Up on recommendations	N/A	12	12	0
Fraud and Special	N/A	12	10	2

## BROMSGROVE DISTRICT COUNCIL

### AUDIT BOARD

Date: 20<sup>th</sup>MARCH2014

Investigations				
Advisory / Consultancy / Contingency	N/A	12	10	2
		<b>49</b>	<b>109</b>	60
<b>TOTAL PRODUCTIVE (A ONLY)</b>		<b>264</b>	<b>264</b>	
<b>B – CHARGEABLE AND NON-PRODUCTIVE</b>				
Audit Management Meetings	N/A	15	15	
Corporate Meetings / Reading	N/A	5	5	
Annual Plans and Reports	N/A	8	8	
Audit Board support	N/A	8	8	
<b>TOTAL CHARGEABLE AND NON-PRODUCTIVE (B)</b>		<b>36</b>	<b>36</b>	<b>0</b>
<b>TOTAL CHARGEABLE (A + B)</b>		<b>300</b>	<b>300</b>	<b>0</b>

## BROMSGROVE DISTRICT COUNCIL

### **AUDIT BOARD**

Date: 20<sup>th</sup>MARCH2014

#### KEY PERFORMANCE INDICATORS 2014/15

#### APPENDIX 2

The key performance indicators for 2014/15 to be reported to the Audit Board include:

	KPI	Trend requirement	2013/14 Year End Position	2014/15 Position (as at XXXXXXXX)	Frequency of Reporting
1	No. of 'high' priority recommendations	Downward			Quarterly
2	No. of moderate or below assurances	Downward			Quarterly
3	No. of customers who assess the service as 'excellent'	Upward			Quarterly
4	No. of audits achieved during the year	Per target	Target = 15 (minimum) Delivered =	Target = 15 (minimum) Delivered =	Quarterly

WASS considers it operates within, and conforms to, the Public Sector Internal Audit Standards 2013.



## AUDIT BOARD

20<sup>TH</sup> MARCH 2014

### CORPORATE RISK REGISTER

Relevant Portfolio Holder	Councillor Mike Webb
Portfolio Holder Consulted	-
Relevant Head of Service	Jayne Pickering – Exec Director Finance and Resources
Ward(s) Affected	All Wards
Ward Councillor(s) Consulted	No
Key Decision / Non-Key Decision	Non–Key Decision

#### 1. SUMMARY OF PROPOSALS

1.1 To present Members with the current Corporate Risk Register.

#### 2. RECOMMENDATIONS

2.1 **The Committee is asked to note the Register and propose any additional items to be included for 2014/15.**

#### 3. KEY ISSUES

##### Financial Implications

3.1 Effective management of Corporate Risks ensures that the Councils financial position is protected.

##### Legal Implications

3.2 By ensuring the Council has a robust framework for Risk Management, there should be assurance that effective controls are in place to mitigate legal challenge and support compliance to legal duties.

##### Service / Operational Implications

3.3 The Corporate Risk Register has been developed following discussions with service teams, managers and is currently being audited as part of the Annual Audit Plan. The Register links to the individual departmental registers that have been regularly presented to this Board. Occasionally risks are moved from the departmental to the corporate register if their effect is seen to be of a wider strategic nature than originally anticipated.

3.4 The risks contained within the Corporate Register are deemed as Strategic as they have the following impact:

**AUDIT BOARD**20<sup>TH</sup> MARCH 2014

- if realised, could fundamentally affect the way in which the Council exists or provides services in the next five years.
- These risks will have a detrimental effect on the Councils' achievement of the key purposes
- Risk realisation will lead to material failure, reputation damage, loss or lost opportunity across the Council

3.5 The register, as attached at Appendix 1 details the high level strategic risks to the Authority that are managed by the Heads of Service and Directors. The risks are monitored on a quarterly basis and actions are undertaken to ensure adequate and robust controls are in place to mitigate any risk.

3.6 The Corporate Register is currently being updated for 2014/15 and will be presented to the next meeting of this Board. Members are requested to consider and propose any additional / changes to the current register that are deemed to be of a strategic nature.

**Customer / Equalities and Diversity Implications**

3.7 There are no implications arising out of this report.

**4. RISK MANAGEMENT**

4.1 The corporate risk register is part of the wider risk framework currently in place at the Council.

**5. APPENDICES**

Appendix 1 – Corporate Risk Register

**6. BACKGROUND PAPERS**

Department Risk Registers

**7. KEY**

N/a

**AUTHOR OF REPORT**

Name: Jayne Pickering  
E Mail: [j.pickering@bromsgrove&redditch.gov.uk](mailto:j.pickering@bromsgrove&redditch.gov.uk)  
Tel: 01527-881207

APPENDIX 1

# Corporate Level - Risk Register

Risk Ref	Risk Title	Cause & Effect	Inherent Risk Priority	Existing Controls	Residual Risk Priority	Action Required
1	<p>Unable to deliver the base budget Target: Low</p> <p><b>Risk Owner: Jayne Pickering</b></p>	<p>Cause (Issues)</p> <ol style="list-style-type: none"> <li>1 Currently receiving less fee income</li> <li>2 More demand on some services</li> <li>3 Need to deliver approved budget savings</li> </ol> <p>Effect (Consequences)</p> <ol style="list-style-type: none"> <li>1 The potential to generate outturn savings has diminished</li> <li>2 Knock on impact to services</li> <li>3 Potential for overspend</li> </ol>	<p>4 2</p> <p>High</p>	<p>Medium Term Financial Plan showing forecast budgets over a 3 year period in place.</p> <p>Regular reports to CMT, Overview and Scrutiny and Cabinet</p> <p>Regular reporting of achievement of savings against approved levels</p>	<p>2 2</p> <p>Low</p>	<p>Monthly reports to budget holders and relevant stakeholders</p> <p><b>Person Responsible: Sam Morgan</b></p> <p>Report significant changes to Medium Term Financial Plan to CMT and Executive Committee</p> <p><b>Person Responsible: Jayne Pickering</b></p>
2	<p>Failure to implement effective business continuity arrangements Target: Low</p>	<p>Cause (Issues)</p> <ol style="list-style-type: none"> <li>1 Lack of Business Continuity Plan</li> <li>2 Lack of robust</li> </ol>	<p>3 3</p> <p>High</p>	<p>Business Continuity Plan in place</p> <p>Testing of Plan undertaken</p> <p>ICT in place</p>	<p>2 2</p> <p>Low</p>	<p>Regular update /review of Business Continuity Plan</p> <p><b>Person Responsible : Martin Ashcroft</b></p>

3	<p><b>Risk Owner:</b> Kevin Dicks (currently)</p>	<p>ICT support Effect (Consequence) 1 Impact on the council's ability to deliver critical services 2 Failure to comply with the Council's requirements to have Business Continuity Arrangements in place as determined by the Civil Contingencies Act. 3 Failure to establish good business management, in terms of responsiveness to challenges to the business, and to ensure best use of resources</p>	4	3	Shared Services Board in place to	3	2	Regular, open and honest communications with all staff -
---	---	---	---	---	-----------------------------------	---	---	--

	<p>benefits of implementing shared services Target: Medium</p> <p><b>Risk Owner: Kevin Dicks</b></p>	<p>number of shared services initiatives: 2 High pace of change and capacity is finite</p> <p>Effect (Consequences)</p> <ol style="list-style-type: none"> <li>1 Political fallout</li> <li>2 Recruitment and retention issues</li> <li>3 Financial impact</li> <li>4 Feeling of a "loss of control"</li> <li>5 Potential conflict between partners</li> </ol>	<p style="text-align: center; background-color: #f4a460;">High</p>	<p>oversee work programme.</p> <p>Meetings with Trade Unions to ensure open and honest communications are taken place.</p>	<p style="text-align: center; background-color: #f4a460;">Medium</p>	<p>staff briefings, drop in sessions, emails, core brief etc. (as and when needed)</p> <p><b>Person Responsible: Kevin Dicks</b></p> <p>Close financial monitoring of all costs/savings associated with shared work</p> <p><b>Person Responsible: Jayne Pickering</b></p>
4	<p>Failure to develop a vibrant Town Centre Target: High</p> <p><b>Risk Owner: Ruth Bamford</b></p>	<p>Cause (Issues)</p> <ol style="list-style-type: none"> <li>1 The Council ability to influence the developments in the Town Centre</li> <li>2 Lack of available resources</li> <li>3 Lack of political and partnership agreement</li> </ol> <p>Effect (Consequences)</p>	<p style="text-align: center;">4 5</p> <p style="text-align: center; background-color: #ff0000;">Very High</p>	<p>Area Action Plan in place to detail key strategic sites and the proposed development on such sites</p> <p>Partnership working with County Council in the development of Parkside</p> <p>Town Centre project manager</p>	<p style="text-align: center;">4 3</p> <p style="text-align: center; background-color: #f4a460;">High</p>	<p>Continue partnership working to consider appropriate sites</p> <p>Town Centre project manager to coordinate approach across the area</p> <p><b>Person Responsible – Richard Savory</b></p>

		<p>1 Reputation of the Borough (and Council) may be damaged</p> <p>2 Economic impact on the Borough</p> <p>3 Social consequences for the Borough</p> <p>4 An issue for the Local Strategic Partnership</p>	<p>4      3</p> <p style="text-align: center;"><b>High</b></p>	<p>in place to coordinate approach</p> <p>Working with partners on developments – eg Recreation Road</p>	<p>2      3</p> <p style="text-align: center;"><b>Medium</b></p>	
<p>5</p>	<p>Failure to realise the benefits of the Transformation Programme.</p> <p><b>Risk Owner: Deb Poole</b></p>	<p>It is expected that the Transformation Programme will deliver improved services for customers and generate cashable savings.</p>	<p>4      3</p> <p style="text-align: center;"><b>High</b></p>	<p>Regular reports and updates on progress are reported to Management Team</p> <p>Regular updates and presentations to Shared Service Board</p>	<p>2      3</p> <p style="text-align: center;"><b>Medium</b></p>	<p>Develop plan of transformational activity to be managed by Heads of Service and Directors.</p> <p><b>Person Responsible – Deb Poole</b></p>
<p>6</p>	<p>Failure to safeguard the Councils' reputation.</p>	<p>Cause (Issues)</p> <ol style="list-style-type: none"> <li>1. Inappropriate actions, behaviour etc by officers or members.</li> <li>2. Service failure</li> <li>3. Reports by ombudsman</li> </ol> <p>Effect</p>	<p>3      2</p> <p style="text-align: center;"><b>Medium</b></p>	<p>Communications team regular liaison with the local press,</p> <p>Regular meetings between senior officers and members.</p>	<p>2      2</p> <p style="text-align: center;"><b>Low</b></p>	



This page is intentionally left blank



**AUDIT BOARD**

20th March 2014

**APRIL - DECEMBER (QUARTER 3) FINANCE MONITORING REPORT 2013 /14**

<b>Relevant Portfolio Holder</b>	Councillor Mike Webb
<b>Portfolio Holder Consulted</b>	-
<b>Relevant Head of Service</b>	Jayne Pickering – Exec Director Finance and Resources
<b>Ward(s) Affected</b>	All Wards
<b>Ward Councillor(s) Consulted</b>	No
<b>Key Decision / Non-Key Decision</b>	Non–Key Decision

**1. SUMMARY OF PROPOSALS**

To report to Cabinet on the Council's summary financial position for the period April - December 2013 (Quarter 3 – 2013 /14). In addition to consider the proposed reporting of savings delivered for 2014/15 as recommended by the External Auditors.

**2. RECOMMENDATIONS**

- 2.1 That the Board note the current summary financial position on Revenue and Capital as presented in the report.
- 2.2 That the Board consider the proposal to report savings delivered in 2014/15 and subject to any comments and revisions approve the approach.

**3. KEY ISSUES**

- 3.1 This report provides a summary financial information across the Council. The aim is to assure the Board that officers and members have appropriate controls in place to manage the financial position of the authority.
- 3.2 The Audit Board has the responsibility to ensure that financial budget monitoring is undertaken in a controlled and timely manner and that officers and members have appropriate information to make decisions on the financial position of the Council.
- 3.3 This report presents the summary position of the finances for April – December 2013. The detail is reported to Cabinet and Overview and Scrutiny Board to enable members to discuss the reasons for the variances in expenditure and income on the

### AUDIT BOARD

20th March 2014

services provided. The main summary is included in this report to enable Audit Board members to be assured that relevant information is provided.

- 3.4 On a monthly basis officers meet with their accountancy support and review the detailed monitoring statements to identify anomalies and develop action plans to address areas of overspend. The reports to Cabinet and Overview and Scrutiny are presented at a higher level of service delivery and are considered on a quarterly basis.
- 3.5 The summary for April – December relating to Revenue and Capital are included in the following tables:

<b>Revenue Budget summary Quarter 3 (April – December) 2013 /14 – Overall Council</b>
---

Service Head	Revised Budget 2013 /14 £'000	Budget April - Dec £'000	Actual Spend April – Dec £'000	Variance to date April - Dec £'000	Projected Outturn 2013/14 £'000	Projected Variance 2013/14 £'000
<b>Environmental Services</b>	3,967	1,532	1,537	5	3,977	11
<b>Community Services</b>	2,478	948	921	-27	2,453	-25
<b>Leisure &amp; Cultural Services</b>	2,039	1,423	1,349	-74	1,962	-77
<b>Planning &amp; Regeneration</b>	1,302	468	450	-18	1,294	-8
<b>BDC Regulatory Client</b>	673	137	129	-8	674	1
<b>Customer Access &amp; Financial Support</b>	936	439	411	-28	963	28
<b>Finance &amp; Resources</b>	-121	371	385	14	0	122
<b>Legal &amp; Democratic Services</b>	1,288	534	511	-23	1,282	-6
<b>Business Transformation</b>	65	1,175	1,000	-175	30	-35
<b>Corporate Services</b>	1,776	1,399	1,427	28	1,787	12
<b>SERVICE TOTAL</b>	<b>14,401</b>	<b>8,428</b>	<b>8,119</b>	<b>-309</b>	<b>14,424</b>	<b>23</b>
<b>Interest Payable</b>	75	56	0	-56	0	-75

### AUDIT BOARD

20th March 2014

<b>Interest on Investments</b>	-67	-50	-56	-6	-67	0
<b>COUNCIL SUMMARY</b>	<b>14,409</b>	<b>8,434</b>	<b>8,063</b>	<b>-371</b>	<b>14,357</b>	<b>-52</b>

#### Financial Commentary

- The corporate savings required due to vacancy management and transformation have now been offset against savings found in the following service areas:
  - BDC Reg Client – £14k
  - Business Transformation – £40k
  - Environmental - £37k
  - Legal & Democratic Services – £41k
  - Leisure & Cultural Services – £11k
- The variance on Finance and Resources is due to additional expenditure resulting from the Head of Service restructure. This is offset by future years savings within the service from the restructure
- A saving of £52k is currently predicted at the end of year compared with the initial budget set by Members in February 2013. Therefore it is assumed the Council will realise all vacancy and unidentified savings.
- Any underspend will be returned to balances to support future year expenditure.

#### Capital Budget summary Quarter 3 (April - December) 2013 /14 – Overall Council

Department	Revised Budget 2013 /14 £'000	Budget April – Dec £'000	Actual spend April – Dec £'000	Variance to date April – Dec £'000	Projected Outturn 2013/14 £'000	Projected Variance 2013/14 £'000
<b>Environmental Services</b>	730	567	563	-4	730	0
<b>Community Services</b>	1,011	1,011	802	-209	1,011	0
<b>Leisure &amp; Cultural Services</b>	832	208	210	2	834	2
<b>Planning and Regeneration</b>	973	532	450	-81	980	7

## AUDIT BOARD

20th March 2014

<b>BDC Regulatory Client</b>	56	8	8	0	56	0
<b>Financial Services</b>	25	25	19	-5	25	0
<b>Business Transformation</b>	34	6	7	1	34	0
<b>COUNCIL SUMMARY</b>	<b>3,661</b>	<b>2,357</b>	<b>2,059</b>	<b>-296</b>	<b>3,671</b>	<b>10</b>

**Financial Commentary:**

- The revised budget has been re profiled by £940k as this expenditure is planned to be spent in 2014/15.
- Within Business Transformation requirements for members and the Microsoft Office Project are currently under review.

3.6 The External Auditors, Grant Thornton, have recommended that the delivery of savings be monitored more closely to ensure that the Council is meeting savings in the way that was expected when the budget was set. This monitoring is recommended to be undertaken by the Audit Board.

3.7 Attached at Appendix 1 is a proposed format to be considered by Members. This details the savings proposed for 2014/15 as recently agreed by Full Council and it is proposed that this be used to inform Audit Board on a quarterly basis of the delivery of the savings and to report on any variances.

3.8 **Legal Implications**

None as a direct result of this report.

3.9 **Service/Operational Implications**

Timely and accurate financial monitoring ensures that services can be delivered as agreed within the financial budgets of the Council

3.10 **Customer / Equalities and Diversity Implications**

None, as a direct result of this report.

5. **RISK MANAGEMENT**

Effective financial management is included in the Corporate Risk Register.

6. **APPENDICES**

Appendix 1 – Proposed format of Savings monitoring

## **AUDIT BOARD**

20th March 2014

---

### **7. BACKGROUND PAPERS**

Available from Financial Services

### **AUTHOR OF REPORT**

Name: Jayne Pickering – Executive Director Finance and Resources  
Email: [j.pickering@bromsgroveandredditch.gov.uk](mailto:j.pickering@bromsgroveandredditch.gov.uk)  
Tel: (01527) 881400

This page is intentionally left blank

## REVENUE SAVINGS 2014/15

### APPENDIX 1

Strategic Purpose	2014-15 £'000	Quarter Position 2014/15 £'000	Variance Quarter Position 2014/15 £'000	Comments on variance	Saving Description General / Service Redesign / Additional Income
<b>Enabling</b>					
Worcestershire Regulatory Services	-50				Savings generated from the service review within WRS
Customer Services	-59				Service review following redesign of the service to mitigate impact of WCC cuts to funding
Audit Fees	-15				Contract reduction in Audit Fees
Director of Planning	-29				
Head of Service Restructure (Finance and Resources)	-42				Savings from the redesign of the management team within Financial Resources
Valuation Services (Property)	-37				Renegotiation of Contract for Services
Replacement Financial System	-20				Review of costs associated with new financial system
Financial Services ; Accountancy / Payments / Payroll	-35				Redesign of the financial services section
Legal & Democratic Services redesign	-22				Review of vacant posts and redesign of the service provided
Legal Services	-8				General Reductions on budgets following review
Transformation	-62				Renegotiation of Contract for Services
<b>Keep my Place, Safe and Looking Good</b>					
CCTV Contract	-32				Additional income generated from out of hours contract for CCTV and Lifeline
Career break for 3 months	-4				General savings from reduction in costs
Environmental Services - Redesign of service delivery	-108				Redesign of the support and other services within Environmental to include; bereavement, waste collection and management
Planning Services ( Building Control)	-14				Review of vacant posts

**REVENUE SAVINGS 2014/15**

**APPENDIX 1**

Strategic Purpose	2014-15 £'000	Quarter Position 2014/15 £'000	Variance Quarter Position 2014/15 £'000	Comments on variance	Saving Description General / Service Redesign / Additional Income
<b>Provide Good Things for me to See, Do and Visit</b>					
Leisure Services redesign of provision and structure to deliver service	-151				Redesign of the support and other services within Leisure and Cultural Department
Additional Market Income	-25				Additional income generated at the market
<b>Help me Run a Successful Business</b>					
Town Centre Manager	-30				Income realised from the Town Centre Manager post working with other Councils
<b>TOTAL</b>	<b>-743</b>				



**AUDIT BOARD**20<sup>th</sup> March 2014**WORK PROGRAMME 2013/14****20th March 2014**

- Grant Thornton Certification Work Report 2012/2013
- Grant Thornton Review of Financial Resilience
- Internal Audit Monitoring Report
- Internal Audit Plan 2014/2015
- Benefits Fraud Investigations
- Corporate Fraud Audit Review, including Whistleblowing procedure
- Corporate Risk Register
- Quarter 3 - Finance Monitoring Report 2013/2014 (to include Corporate Savings allocated across the individual services)
- ICT Resilience Update
- Treasury Management Strategy Statement and Investment Strategy 2013-14 to 2015-16
- Audit Board End of Year Report 2013/2014 (For Member discussion) -
- Audit Board Work Programme

**To Be Allocated To Suitable Dates**

- Grant Thornton Auditing Standards
- Grant Thornton Audit Plan March 2014
- Grant Thornton Progress Report 2013/2014 – action plan to be presented identifying any actions that may be required
- Statement of Accounting Policies
  
- Departmental Risk Registers – High Level Actions, quarterly reports (to include a frontline service and a support service).
- Departmental Risk Registers – Detailed reports to be provided periodically
- Contracts Register – ‘due process’ update to be provided with regard to contracts entered into and that the Legal Services Team see all contracts entered into

This page is intentionally left blank